

# Research Bulletin

A Publication from INPUT's Electronic Government Program

Vol. VII, No. 4

April 1998

## Benchmarking Systems Integrator Performance

The federal government is in a state of change. This change is not just organizational in nature, but it also represents a refocusing of the way agencies do business. Much of this change had been governed by recent trends such as the downsizing of the federal workforce as well as the Administration's attempts to move information technology into the federal business process through initiatives such as NPR. In any case, the way government accomplishes goals through the deployment of technology solutions is one of the greatest challenges of Chief Information Officers government-wide.

### Agency Requirements

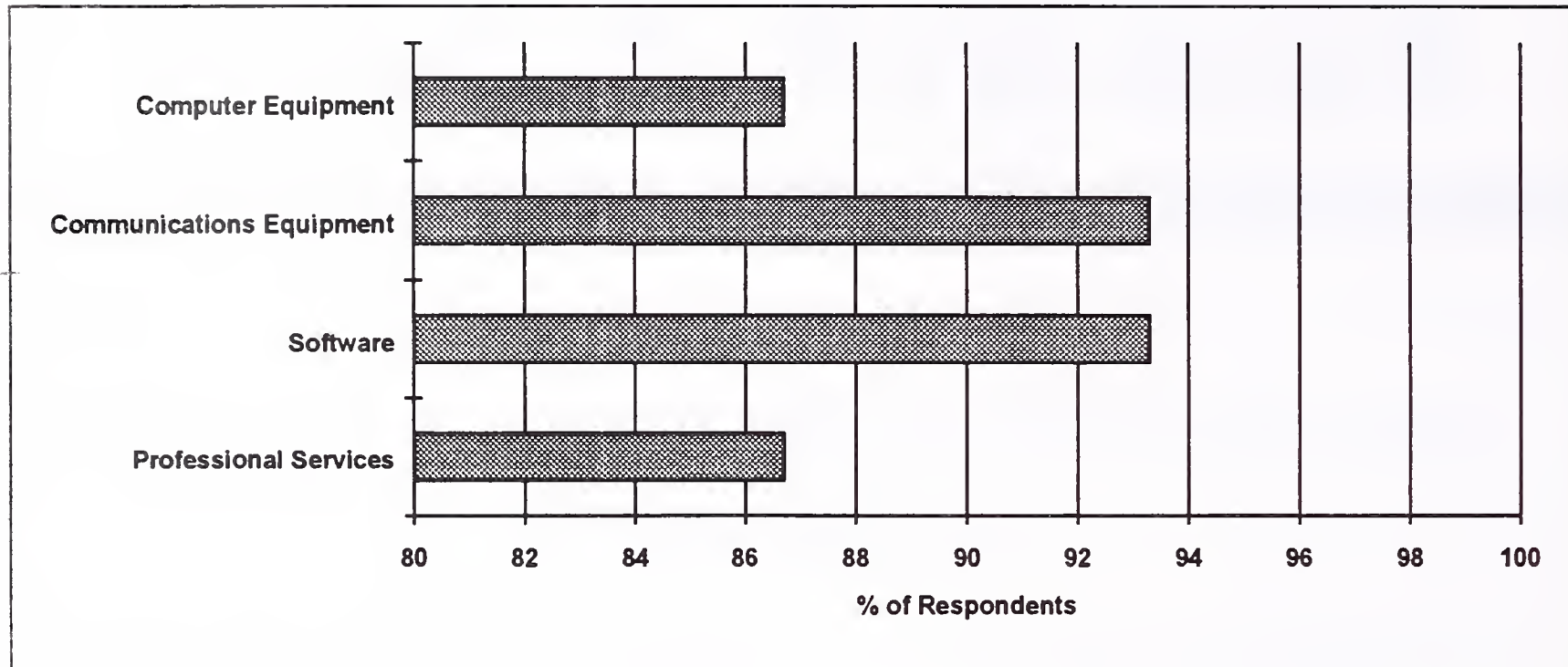
Increasing demand for business process reengineering in the federal government has resulted in more demand on contractors to get involved with agencies

on a "partnership" basis. The contractor plays a key role in "back-filling" functions which the government is no longer capable of maintaining itself. This especially holds true with technology. Recent trends in the IT realm include procurement reform, the move of agencies toward purchasing commercial-off-the-shelf and distributed computing. Each of these trends sparks more demand for contractor support, including the support of systems integrators capable of using services to tie together hardware and software in a functional way.

Systems integration is used widely throughout the federal government. Each agency has a different mission and therefore different integration requirements. Exhibit 1 shows the different uses for systems integration services currently in the federal government.

Exhibit 1

### Nature of Integration Requirements



Source: INPUT

80% of agency officials surveyed responded that all of the above listed requirements are driving systems integration contracts in their respective agencies. The conclusion can be made that systems integration is an integral part of successful information technology deployments at most federal agencies. A large number of federal agencies are currently using the services of a systems integrator and plan to continue contracting-out this function in the future. The onus is therefore placed on the contractor to prove itself worthy of this future business. The opportunity is there. It is now just a matter of who will offer the best solution.

### Agency Goals – Importance vs. Satisfaction

Agencies using systems integration vendors are generally satisfied with the overall abilities of these vendors to meet agency goals. The overall federal satisfaction rating currently stands at 3.6 out of 5.0. Exhibit 2 shows the profile of satisfaction

ratings given to federal systems integrators matched with the importance ratings assigned to each goal by the agencies. Agencies were asked to rate each of the seven goals in importance on a scale of 1 to 5. One represents low importance and 5 represents a goal which is key to the business process of that particular agency. Surveyed agencies were then asked to rate the ability of the vendor to meet the goals of the agency. A rating of 5 indicates a high degree of satisfaction with a particular integrator.

Agency goals were categorized in seven ways:

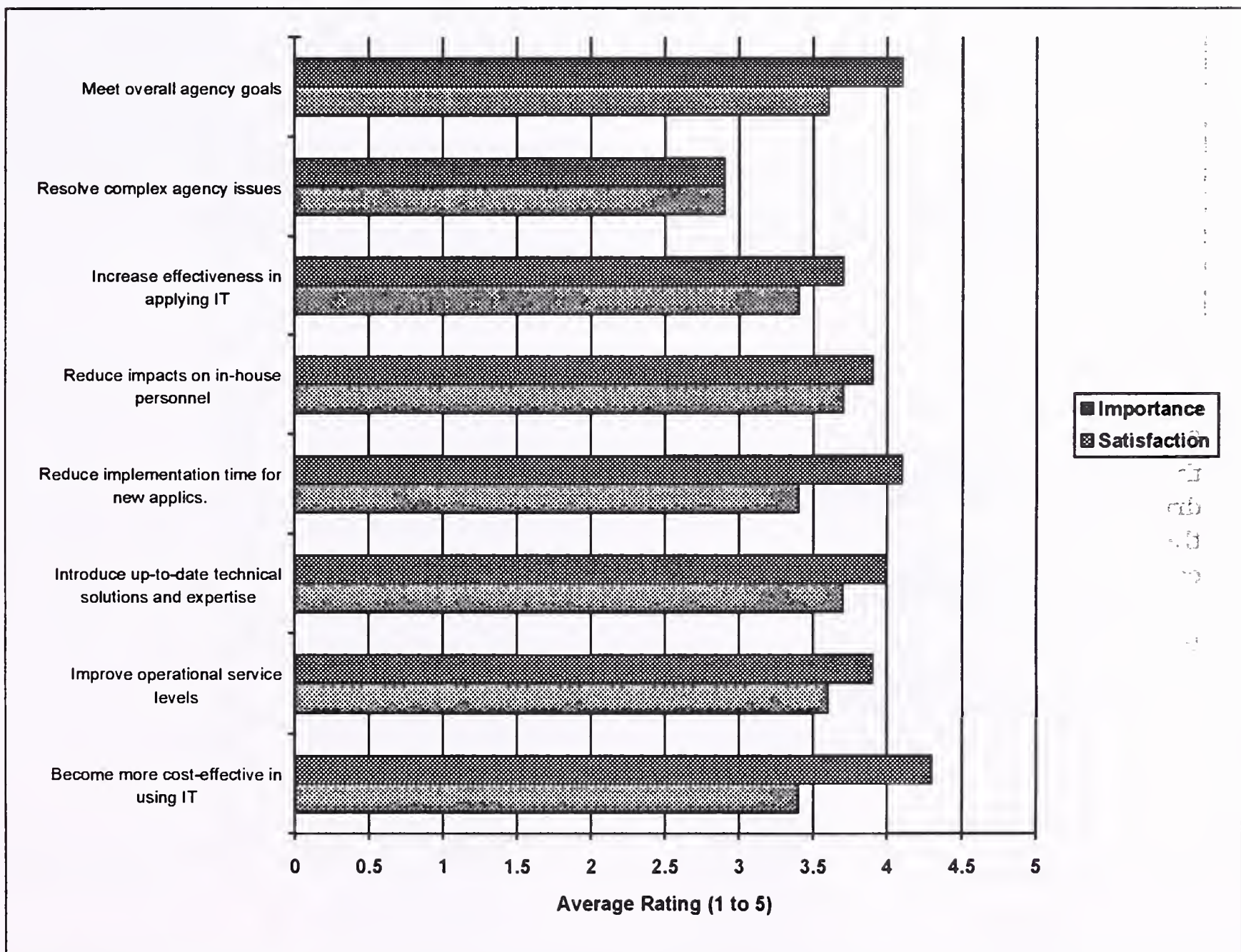
- Become more cost effective in using IT
- Improve operational service levels
- Introduce up-to-date technical solutions and expertise
- Reduce the time it takes to implement new systems and services



- Reduce the impact on in-house personnel
- Increase effectiveness in applying an IT solution to the business process
- Resolve complex agency issues

Exhibit 2

### Agency Goals: Importance vs. Satisfaction



Source: INPUT

Overall the level of satisfaction with systems integrators appears relatively high on the 1 to 5 scale. The following agency goals were met with the highest level of satisfaction in vendors:

- Desire of agencies to introduce up-to-date technical solutions and expertise to the business process
- Attempts at reducing the impact of new IT introduction on in-house personnel



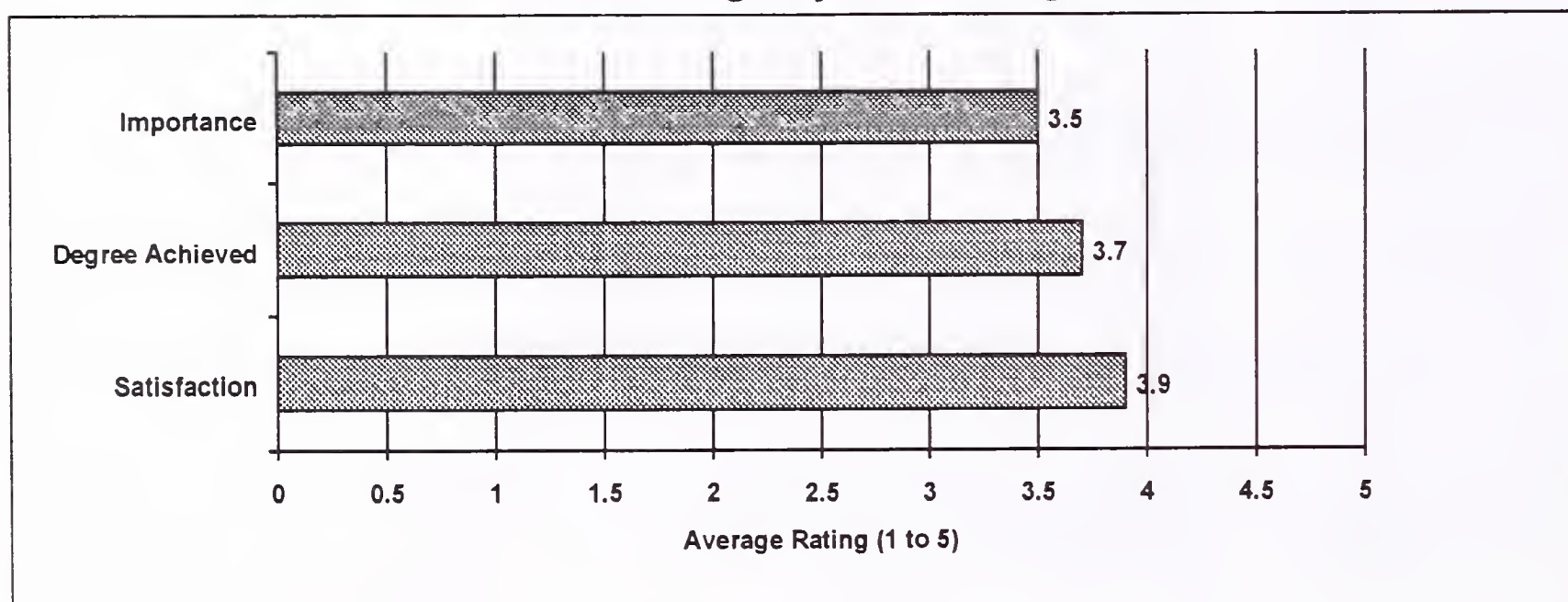
Despite these high satisfaction ratings, however, an analysis of the gap between satisfaction and importance shows that in these two areas contractors fell short of agency expectations. Integrators fared well in the area of resolving complex agency issues, meeting the 2.9 importance rating with a 2.9 satisfaction rating. On the whole, agencies are not completely satisfied with the effort of contractors when matched with the values placed on achieving certain goals.

## Past Performance and Cost Factors

Past performance is a key part of the selection process for a systems integrator; however, cost is also a major factor for most agencies. Often vendors are selected on the cost savings they can guarantee an agency for a particular endeavor. Agencies were asked to rate the importance of cost as a vendor selection criterion for an integrator who has done work with the agency. They were then asked to rate the degree to which cost savings were actually achieved as well as the overall satisfaction with the price. Exhibit 3 shows these ratings for the criteria of cost.

Exhibit 3

### Agency Cost Savings Ratings



Source: INPUT

The majority of agencies who have or had a systems integrator under contract are satisfied with the cost savings offered by the vendor. On average, agencies rated cost savings a 3.5 in terms of its importance. The feeling is that these savings were achieved above and beyond the importance placed on them. Also, there is a significant positive gap between this

importance and the overall satisfaction with the integrator's prices.

Cost is a major issue for most agencies. Vendors are proving that they can offer savings to agencies on systems integration contracts. This will drive the trend of outsourcing functions such as integration in the future. The private sector is a worthy



low-cost alternative for technology integration needs.

There is definitely a future for vendors in the federal systems integration market. The market is growing. The government is downsizing. Vendors are offering cost-effective and technologically advanced solutions. The key to success will be ensuring that the government meets its goals and requirements through the successful implementation of information

technology into the business process. The role of integrators in this venture is key.

This Research Bulletin is a summary of findings from INPUT's recent study entitled, Benchmarking of Government Systems Integrators. For more information about this project, please call INPUT at (703) 847-6870.

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- For Vendors - Analyze:
  - Market strategies and tactics
  - Product/service opportunities
  - Customer satisfaction levels
  - Competitive positioning
  - Acquisition targets

For Buyers - Evaluate:

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# Research Bulletin

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Vol. VII, No. 5

May 1998

## Y2000 Update

Discussions surrounding the effect of the Y2K problem on federal agency IT systems continue to escalate as the end of the millennium approaches. Opinions range from impending disaster to minimal impact on both mission critical and non-critical systems. Recent reports and articles have begun to use terms such as "disaster recovery" and "triage" to describe the status of systems that will not be compliant on January 1, 2000. It can be said with a degree of certainty that some percentage of federal systems will not be Y2K compliant when the new millennium arrives. However, the full impact of these non-compliant systems is a matter of much debate and conjecture at this time.

In its 4th quarterly status report released in February 98, OMB indicated federal agencies are making progress in addressing the Y2K problem. However, major work still remains to be done over the next 18 months. During the assessment phase, agencies identified over 7800 mission critical systems that required Y2K compliance work.

Agencies increased their cost estimates to fix the problem to \$4.7 billion in their

May Progress Report, which was \$1 million more than earlier 4th quarter 97 estimates. The majority of this increase was from the Defense sector and Treasury. Most industry analysts estimate the actual cost of fixing the federal Y2K problem will be significantly higher than current federal estimates.

In their February report, OMB listed a set of five criteria they use to rate federal agency Y2K compliance progress. Agencies were placed in one of three tier groups based on their performance against this criteria, with Tier 1 being the least satisfactory. These criteria included:

- ❑ What is the status of assessment and inventory of data exchange with outside entities?
- ❑ Is there measurable and adequate progress on renovation, validation and implementation?
- ❑ Does the agency have a workable approach and a contingency plan?
- ❑ Has the agency adopted government-wide goals? Is the schedule realistic?

The following chart reflects how the agencies were ranked.

Exhibit 1

## Agency Progress

Tier 1	Tier 2	Tier 3
Education	Agriculture	Interior
Energy	Commerce	VA
HHS	Defense	EPA
Labor	HUD	GSA
Transportation	Justice	NASA
	OPM	NSF
	State	NRC
	Treasury	SBA
	FEMA	SSA

Source: OMB

Increasing public awareness through the efforts of information technology publications and national news media channels has prompted both the Executive and Legislative branches of our government to become more pro-active in addressing the Y2000 compliance problem. These decision bodies now realize there is no "silver bullet" to fix Y2K.

Congress has established Y2K committees and working groups to drive both awareness and response to the Y2K problem. During a breakfast seminar sponsored by ITAA on May 13, 1998, Senator Gordon Smith of Oregon, who is a member of Senator Bennett's bipartisan Y2K committee, identified major industry areas that are receiving special Congressional attention. These industries are:

- ☐ Utilities
- ☐ Communications
- ☐ Transportation

- ☐ Financial Services
- ☐ General Government Services
- ☐ General Business Services

The committee will also look at the impact of potential litigation resulting from non-compliant system failures.

This heightened awareness can also be seen in federal agencies through the actions of the CIO Council, which is becoming more pro-active in coordinating a broad-based Y2K compliance strategy. With the realization that Y2K is not just an internal department/agency issue, the Council has established a working group to insure the exchange of data between federal and state & local agencies will be compliant.

The CIO Council set a target of February 1, 1998 for agencies to assess and inventory their data exchange systems. Of the 24 agencies, 19 completed the inventory, and the other 6 agencies (DoD, Energy, HHS, Justice and Transportation,



will be tracked to insure they complete the inventory process.

An equally important issue concerns the potential failure of embedded chips in systems. It is estimated that there are over 40 billion microprocessors operating in the world today. Up to 10% of these systems may be date sensitive. Embedded chips are used in every facet of daily life including transportation, medical treatment, energy exploration and numerous financial transactions. The work effort to identify, test and fix non-compliant embedded systems is staggering. The projected effort just to identify which systems may pose a problem is almost overwhelming.

Again, it is difficult to estimate the scope of the problem with date sensitive embedded systems. Based on their function and design, some systems may be unaffected, some systems may experience minor problems, while other may experience total system shut down.

Regardless of efforts on the part of federal agencies, it is certain that not all embedded systems will be identified, much less fixed by the Y2000 date. The actual work effort to make all required date sensitive systems compliant may run well into the next decade.

As with many issues facing today's complex information driven world, there is no clear-cut answer to how federal agencies are progressing with the Y2K compliance issue. While agencies have made progress in the areas of

organization, problem identification and technical compliance, many departments and agencies are underfunded and lack qualified personnel to fix the problem on time. In the comprehensive Y2K report issued earlier this year, INPUT estimated that as many as 46,000 full time equivalent employees might be required to support the Y2K conversion effort over the next 3 years.

One trend has become clear. The lack of internal agency personnel to test and fix Y2K non-compliant systems has created numerous outsourcing opportunities for federal IT vendors in both the civilian and Defense agencies.

However, both agencies and vendors need to be sensitive to the fact that Y2K is not just a technical problem but an overall business process problem. Experiences during the assessment phase has taught agency executives that progress cannot be realized without the commitment of top management.

In addition, vendors who "rush to judgement" on trying to resolve Y2K problems may find themselves creating as many problems as they fix. Discipline must be used to approach the problem from a "total solution" standpoint that give maximum consideration to the agency's mission and goals, and not just to the technical aspects of the system fix. Each agency has requirements that are unique to its mission.

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# Research Bulletin

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Vol. VII, No. 6

June 1998

## Geographical Distribution of Federal IT Spending

### Methodology

INPUT analyzed place of performance data from GSA's Federal Procurement Data Center for federal spending during fiscal year 1997. Exhibit 1 shows the state for each agency in which the most IT dollars were obligated. Exhibit 2 displays the top 20 agency IT obligators. Exhibit 3 examines the top 20 states where federal IT dollars are obligated. Analysis of expenditures by type of company is shown in Exhibit 4. We identify the lead spender per state in Exhibit 5. All dollar values are in thousands (000). INPUT also offers observations, analysis and some recommendations in this research bulletin.

### Federal Procurement Data Center (FPDC) Reporting

The FPDC is the responsibility of the Office of Procurement Policy (OFPP). The Federal Acquisition Regulation (FAR) requires procurements exceeding \$25,000 be reported to the Federal Procurement Data Center (FPDC) — which is maintained by GSA. The agencies report procurement data, including the contract obligation amount — the amount the federal government has agreed to pay for a specified product or service. This does not

necessarily indicate the amount of money spent, or the potential value of a contract.

INPUT recognizes, as the GAO has pointed out, the inadequacies of the FPDC data, but believes the data can serve as a useful gauge of federal government IT spending patterns.

#### Exhibit 1

##### Agency Place of Performance

Agency	State
Agriculture	North Carolina
Air Force	Florida
Army	Virginia
Commerce	Virginia
Defense	Virginia
Education	Maryland
Energy	Louisiana
EPA	North Carolina
GSA	Virginia
HHS	Maryland
Justice	Washington DC
NASA	Texas
Navy	California
Transportation	Maryland
Treasury	Virginia
Veterans Affairs	Maryland

Source: FPDC

Exhibit 2

**Top Agency Spenders**

Rank	Agency	1997
1	Transportation	9,244,473
2	Navy	5,788,118
3	Army	5,712,248
4	Air Force	5,331,520
5	NASA	2,277,473
6	Defense	1,657,268
7	GSA	1,407,514
8	Energy	1,124,610
9	Treasury	604,451
10	Justice	576,170
11	HHS	652,181
12	Veteran Affairs	331,101
13	Commerce	326,698
14	EPA	247,390
15	Agriculture	229,327
16	Interior	213,280
17	State	187,063
18	Education	137,066
19	SSA	126,928
20	Labor	126,658

Source: FPDC, \$Thousands

Exhibit 3

**Top State Work Locations**

Rank	Agency	1997
1	Virginia	6,749,970
2	Maryland	4,907,820
3	California	3,785,800
4	Florida	2,837,675
5	Texas	2,790,703
6	Washington, DC	2,690,714
7	Massachusetts	1,820,208
8	New Jersey	1,027,908
9	New York	713,214
10	Colorado	604,891
11	Indiana	577,780
12	Missouri	544,796
13	Washington	533,280
14	Ohio	530,664
15	Louisiana	519,707
16	Pennsylvania	486,365
17	Alabama	446,039
18	Oklahoma	403,819
19	North Carolina	359,512
20	Georgia	340,895

Source: FPDC, \$Thousands



Exhibit 4

**Geographic Distribution of Companies**

Rank	Large	Small	SDB	8(a)	Non-Profit	All Types
1	Virginia	Virginia	Virginia	Virginia	California	Virginia
2	Maryland	Maryland	Maryland	Maryland	Virginia	Maryland
3	California	California	DC	Colorado	DC	California
4	Texas	DC	California	California	Texas	Florida
5	Florida	Florida	New Jersey	Massachusetts	North Carolina	Texas
6	DC	Massachusetts	Florida	Missouri	Tennessee	DC
7	Massachusetts	Pennsylvania	Oklahoma	New Jersey	Maryland	Massachusetts
8	New Jersey	Texas	Massachusetts	Florida	Oklahoma	New Jersey
9	New York	Georgia	Alaska	DC	Missouri	New York
10	Indiana	Missouri	Texas	Ohio	Pennsylvania	Colorado

Source: FPDC

Exhibit 5

**Lead Spender per State**

State	Agency	State	Agency	State	Agency
Alabama	Army	Kentucky	Defense	North Dakota	Justice
Alaska	Transportation	Louisiana	Energy	Ohio	Air Force
Arizona	Army	Maine	USIA	Oklahoma	Transportation
Arkansas	Commerce	Maryland	Transportation	Oregon	Labor
California	Navy	Massachusetts	Transportation	Pennsylvania	Army
Colorado	Air Force	Michigan	Army	Rhode Island	Navy
Connecticut	Navy	Minnesota	Transportation	South Carolina	Air Force
Delaware	TVA	Mississippi	Army	South Dakota	Army
DC	Transportation	Missouri	Navy	Tennessee	TVA
Florida	Air Force	Montana	Justice	Texas	NASA
Georgia	Army	Nebraska	Air Force	Utah	Air Force
Hawaii	Air Force	Nevada	Air Force	Vermont	Navy
Idaho	Energy	New Hampshire	Navy	Virginia	Transportation
Illinois	Air Force	New Jersey	Navy	Washington	Air Force
Indiana	Army	New Mexico	Energy	West Virginia	Transportation
Iowa	Air Force	New York	Army	Wisconsin	Navy
Kansas	Transportation	North Carolina	Transportation	Wyoming	Army

Source: FPDC

## Observations

We observe the following:

- ❑ Even though Virginia, Maryland and Washington DC have the most work performed on an area-wide basis, the trend continues for more work performance outside the DC area — spending inside the DC area has continued to remain below FY93's 42.5% at 40% for FY 97 but above FY96's 38.6%.
- ❑ 73% of obligations went to large businesses, 12% to small and disadvantaged businesses (including 8(a)s), 11% to small businesses, 2% to non-profits and 2% to other business types.
- ❑ The top 10 agencies did 92% of the obligations.
- ❑ The top 10 states had 79% of the obligations performed among them.
- ❑ DC and 22 other states (AK, AR, CO, DE, ID, KS, LA, MA, MD, ME, MN, MT, NC, ND, OK, PA, TN, TX, VA, WI, WV, AND WY) had more civilian IT obligations than defense IT obligations.

- ❑ Air Force is the big spender in 11 states, Army in 10 states, Transportation in 10 states and Navy in 8 states.

## Analysis

INPUT recommends:

- ❑ As more work performance migrates to agency locations outside of the Washington, DC area, vendors' sales focus should expand beyond agency headquarters offices.
- ❑ Besides the Washington DC area, vendor sales programs should cover California, Texas, Florida and the Northeast/Mid-Atlantic regions for maximum exposure.
- ❑ Defense spent slightly more in the past year than civilian agencies, however, civilian agency spending is projected to grow at a faster rate over the next 5 years.
- ❑ Defense spends the most on IT products and services in 30 states. Transportation spends the most in 10 other states.

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This Research Bulletin is issued as part of INPUT's Electronic Government Program. If you have questions or comments on this bulletin, please call your local INPUT organization or Mike Groneck at INPUT, 1921 Gallows Road, Suite 250, Vienna, VA 22182-3900, (703) 847-6870.



# Agency Profile

A Publication from INPUT's Electronic Government Program

Vol. IV, No. 7

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## Federal Aviation Administration

### Purpose

The Federal Aviation Administration (FAA) is the primary federal agency responsible for regulating domestic air commerce and controlling the civilian and military use of navigable airspace within the United States to promote safety and efficiency. It is also

responsible for promoting and developing civil aeronautics, research and development with respect to air navigation. It operates a common system of air traffic control and navigation for civilian and military aircraft. Furthermore, it develops and implements regulations and programs to minimize the environmental effects of civil aviation.

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### Organization

The Federal Aviation Administration, formerly the Federal Aviation Agency, was established by the Federal Aviation Act of 1958 (49 U.S.C. 106) and became a component of the Department of Transportation in 1967, pursuant to the Department of Transportation Act (49 U.S.C. app. 1651).

The FAA is headed by an Administrator, appointed by the President with the advice and consent of the Senate, who is aided by the Deputy Administrator, six Associate Administrators and five Assistant Administrators. The Associate and Assistant Administrators are responsible for the daily activities of the agency's various program and staff offices.

The functions of the Federal Aviation Administration are carried out at its

Washington, DC national headquarters, 10 regional headquarters within the U.S. and two regional offices overseas, one in Brussels, Belgium and the other at the U.S. Embassy in Singapore. Major technical research and development initiatives are conducted at the agency's Mike Monroney Aeronautical Center and the William J. Hughes Technical Center.

The FAA is currently headed by Administrator Jane F. Garvey and employs approximately 48,000 people worldwide, a level approximately the same as a year ago. Slightly less than 9% of the agency's employees are located in the Washington, DC area.

The organizational structure of the Federal Aviation Administration is presented in Exhibit 1.

Exhibit 1

### FAA Organization

Administrator

Deputy Administrator

- Air Traffic Services
  - Airway Facilities Services
  - Air Traffic Service
  - Independent Operational Test & Evaluation
  - System Capacity & Requirements
- Regulations & Certification
  - Aircraft Certification Service
  - Flight Standards Service
  - Rulemaking
- Research & Acquisitions
  - Acquisitions
  - Information Technology
  - System Architecture & Investment Analysis
  - Air Traffic Systems Development
  - Aviation Research
  - Communications, Navigation & Surveillance Systems
- System Safety
- Office of Administration
- Civil Rights

- Chief Counsel
- Public Affairs
- Government and Industry Affairs
- Airports
- Civil Aviation Security
- Policy, Planning & International Aviation

#### Major Regional Offices:

- Alaskan — Anchorage, AK
- Central — Kansas City, MO
- Eastern — Jamaica, NY
- Great Lakes — Des Plaines, IL
- New England — Burlington, MA
- Northwest Mountain — Renton, WA
- Southern — Atlanta, GA
- Southwest — Fort Worth, TX
- Western Pacific — Los Angeles, CA
- Latin America - Caribbean — Miami, FL
- William J. Hughes Technical Center — Atlantic City, NJ
- Europe, Africa and Middle East — Brussels, Belgium
- Mike Monroney Aeronautical Center — Oklahoma City, OK
- Asia-Pacific — Singapore

Source: Carroll Publishing 1998

### Program Activities

Below are the primary functions of the Federal Aviation Administration:

#### a. Safety Regulation

The FAA issues and enforces rules and regulations relating to the manufacture, operation and maintenance of aircraft, and it rates and certifies airmen and airports serving air carriers. The agency performs flight inspections of air navigation facilities in the U.S. and abroad, as required. It also enforces regulations under the Hazardous Materials Transportation Act (49 U.S.C. app. 1801), applicable to shipments by air.

#### b. Airspace and Traffic Management

The safe and efficient utilization of navigable airspace is a primary objective of the agency. To meet this objective, the FAA



operates a network of airport traffic control towers, air route traffic control centers and flight service stations. It develops air traffic rules and regulations and allocates the use of the airspace. It also provides for the security control of air traffic to meet national defense requirements.

*c. Air Navigation Facilities*

The agency is responsible for the location, construction or installation, maintenance, operation and quality assurance of visual and electronic aids to air navigation. The FAA operates and maintains voice and data communications equipment, radar facilities, computer systems and visual display equipment at flight service stations, airport traffic control towers and air route traffic control centers.

*d. Research, Engineering and Development*

The research, engineering and development activities of the agency are directed toward providing the systems, procedures, facilities and devices needed for federal air navigation and air traffic control requirements. The agency also performs an aeromedical research function to apply its knowledge to civil aviation safety.

*e. Test and Evaluation*

The FAA conducts tests and evaluations of the development and implementation of air navigation equipment, procedures, devices, materials and other related products to determine efficiency, safety and effectiveness.

*f. Airport Programs*

The agency maintains a national plan of airport requirements, administers a grant program for the development of public use airports, evaluates the environmental impacts of airport development and administers an airport noise compatibility program. It also develops standards and technical guidance on airport planning, design, safety and operations and provides

grants to assist public agencies in airport development and improvement.

*g. Registration and Recordation*

The Federal Aviation Administration provides a system for the registration of aircraft and recording of documents affecting title or interest in aircraft, aircraft engines, propellers and spare parts.

*h. Civil Aviation Abroad*

Under the Federal Aviation Act of 1958 and the International Aviation Facilities Act (49 U.S.C. app. 1151), the agency supports the development of international aviation through the exchange of information, the certification of foreign facilities, airmen and mechanics and through the provision of technical assistance and training in all areas of the Administration's expertise. It also provides technical representation at international conferences, including the International Civil Aviation Organization.

*i. Commercial Space Transportation*

The FAA regulates and promotes the U.S. commercial space transportation industry. It licenses the private sector launching of space payloads on expendable launch vehicles and commercial space launch facilities. The agency also sets insurance requirements for the protection of persons and property and ensures that space transportation activities comply with U.S. domestic and foreign policy.

## Program Budget

Federal funding for the Federal Aviation Administration is expected to decline dramatically over the next five years, highlighting the major downsizing trend currently taking place in the federal government. The operations program account is expected to fall to \$43 million in FY 2003 from \$3.2 billion in FY 1997.

The program budget for the Federal Aviation Administration is presented in



Exhibit 2. These figures represent net federal funds but do not account for offsetting collections or changes in orders

on hand from federal sources, where applicable.

Exhibit 2

### Program Budget of the Federal Aviation Administration

Program Accounts	Budget Authority by FY in \$ Millions						
	1997	1998	1999	2000	2001	2002	2003
Operations	\$3,241	\$3,425	\$3,571	\$43	\$43	\$43	\$43
National Civil Aviation Review Commission	2	0	0	0	0	0	0
<b>Total Program Budget</b>	<b>3,243</b>	<b>3,435</b>	<b>3,571</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>43</b>

Source: Budget of the United States Government FY1999

## IT Contract Opportunities

The major Federal Aviation Administration acquisitions summarized below are currently active:

*a. Aeronautical Data Link Support Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA) intends to acquire technical, engineering and management assistance services in support of the Aeronautical Data Link (ADL) Product Team (PT).

*b. Aeronautical Mobile Communication Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA) intends to acquire aeronautical mobile communication services (AMCS). The FAA also intends to acquire aeronautical fixed services.

*c. Air Traffic Control Beacon Interrogator Replacement*

Type: Cost Plus Award Fee

The Federal Aviation Administration (FAA) Surveillance and Weather Integrated Product Team (IPT) for Secondary Surveillance Radar (AND-450) has a

requirement for an Air Traffic Control Beacon Interrogator (ATCBI) Replacement.

*d. AUA and ASU Support Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA) intends to acquire engineering, technical and management services in support of the Office of Air Traffic Systems Development (AUA) and Office of Acquisitions (ASU).

*e. Aviation Systems Standards Technical Support Services Recompete*

Type: Time and Materials

The Federal Aviation Administration (FAA) intends to acquire continued technical support services in support of Aviation Systems Standards (AVN).

*f. Broad Information Technology Services*

Type: IDIQ

The Federal Aviation Administration (FAA) intends to acquire a broad range of information technology services.



*g. Data Link Services*

Type: Cost Plus Award Fee

The Federal Aviation Administration (FAA) intends to acquire continued data link services.

*h. En Route Software Development and Support*

Type: Time and Materials

The Federal Aviation Administration (FAA) has continuing requirements for all the necessary qualified personnel, facilities, materials and services for software development and deployment support for the En Route subsystems within the National Airspace System (NAS).

*i. FAA Integrated Communications Systems for Tthe 21st Century*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire integrated communications systems to replace its current owned and leased communications systems for the 21st century.

*j. FAA Shared Network*

Type: Firm Fixed Price, IDIQ

The Federal Aviation Administration (FAA) is recompeting the current Agency Telecommunications Network 2000 (ADTN 2000) to provide the FAA and U.S. Coast Guard (USCG) with wide area network (WAN) services.

*k. Flight 2000*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire services in support of the Flight 2000 program.

*l. Instrument Approach Procedures Automation Procurement*

Type: Firm Fixed Price, IDIQ

The FAA has a requirement for continued Instrument Approach Procedures Automation (IAPA) support services.

*m. Logistics Information Processing Support Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA), Central Region intends to acquire logistics information processing support services for the FAA Headquarters in Washington, DC and at the Mike Monroney Aeronautical Center, Oklahoma City, OK.

*n. Management Support Services for AOP*

Type: Task Order, CPFF

The Federal Aviation Administration (FAA) intends to acquire management services in support of the Airway Facilities Services (AF) National Airspace System (NAS) Operations (AOP).

*o. NAS Support Services*

Type: Labor Hour, Task Order, IDIQ

The Federal Aviation Administration's (FAA) Office of System Capacity intends to acquire services in support of the National Airspace System (NAS).

*p. National Departure Sequencing Program*

Type: TBD

The Federal Aviation Administration (FAA) has a requirement for a National Departure Sequencing Program (DSP).

*q. Next Generation Air/Ground Communications System*

Type: TBD

The Federal Aviation Administration (FAA) is reviewing a market survey for The Next Generation Air/Ground Communications System.

*r. Technical Management and Administrative Support*

Type: Labor Hour, FFP

The Federal Aviation Administration (FAA) intends to acquire technical, management and administrative support services.

*s. Telecommunications Engineering and Support*

Type: Firm Fixed Price

The Federal Aviation Administration (FAA) intends to acquire continued telecommunications and engineering support services.

*t. Traffic Flow Management - Infrastructure*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire hardware and software leasing, installation and maintenance services to support the FAA traffic flow management infrastructure (TFM-I) sites.

*u. Voice Switching and Control Subsystem Upgrade*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire upgrade and replacement of the voice switching and control system (VSCS) to control subsystem hardware and software in

support of the Air Traffic Automation Office.

*v. Weather System Processor*

Type: Firm Fixed Price

The Federal Aviation Administration (FAA) has a need for the performance of full scale development activity leading to an add-on Weather Systems Processor (WSP), which is hosted on existing FAA airport surveillance radars.

## FAA Acquisition Profile

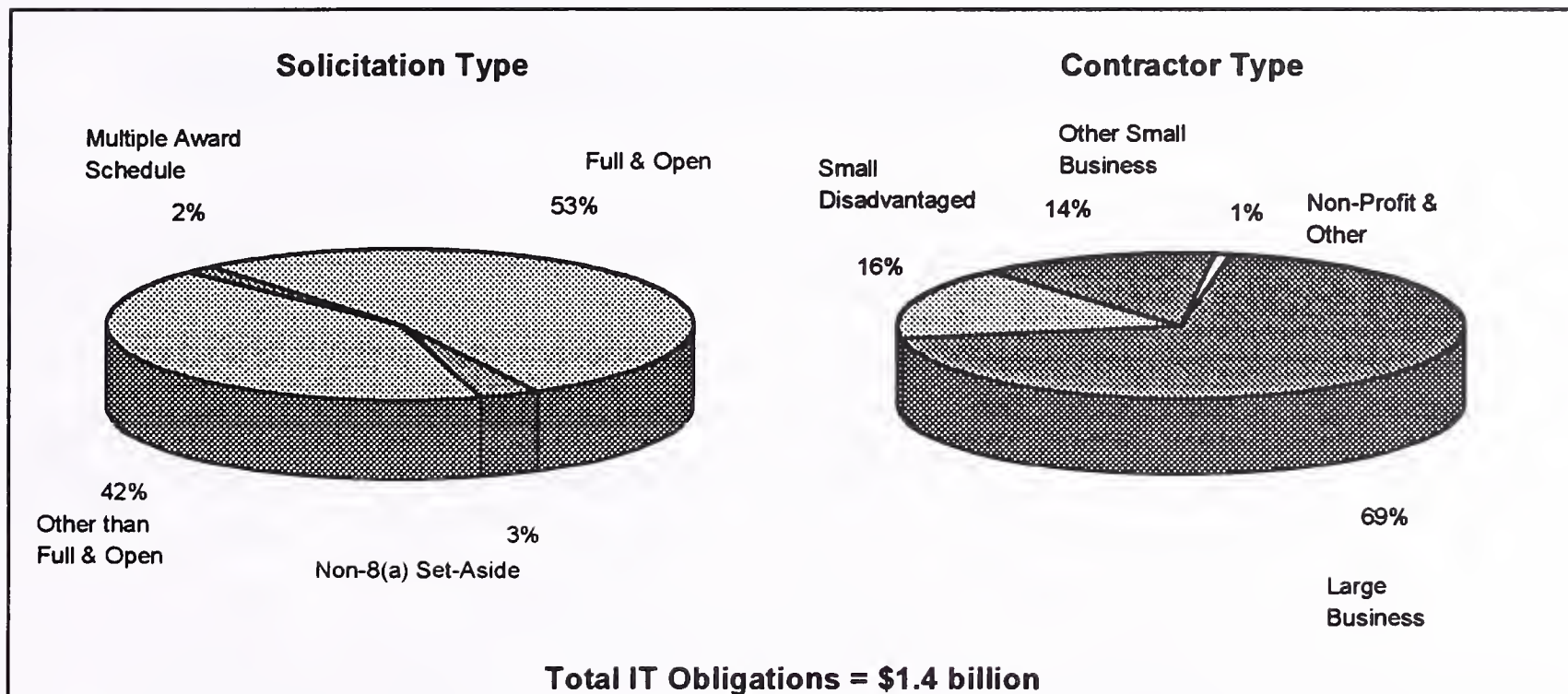
Exhibit 3 provides a graphical summary of the procurement vehicles used by the FAA to acquire its IT products and services, as well as the type of contractor providing them. These figures reflect shares of the total information technology contract dollars obligated by the agency during FY 1996.

"Other than full and open" competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases. Non-profit, educational and workshop organizations comprise the "non-profit and other" contractor component.



Exhibit 3

### Acquisition Profile for the Federal Aviation Administration FY 1996



Source: FPDC and INPUT

### Top Contractors and Obligations by State

A list of the top IT contractors with the FAA is provided in Exhibit 4. Exhibit 5 lists the top 20 states of performance for the agency's IT obligations. Contract obligations are the government's intent to purchase, and while not necessarily spent, they do reflect actual spending trends. This data is based on obligations reported to the Federal Procurement Data Center (FPDC) at GSA for contract actions dated between October 1, 1995 and September 30, 1996.

Exhibit 4

### Top Contractors at FAA FY 1996

1. Raytheon
2. Hughes Aircraft Company
3. Harris Corporation
4. TRW
5. IBM
6. General Electric
7. Mitre Corporation
8. Electronic Data Systems Corporation
9. NCR
10. Modern Technology Systems

Source: FPDC and INPUT

## Exhibit 5

**Top Federal Aviation Administration Obligations by State  
FY 1996**

<b>State</b>	<b>IT Obligations</b>	<b>State</b>	<b>IT Obligations</b>
1. Virginia	\$259,796	11. New York	\$24,273
2. Maryland	240,761	12. Colorado	18,867
3. Washington, DC	240,323	13. Georgia	13,610
4. California	154,773	14. Minnesota	12,772
5. Florida	123,612	15. North Carolina	8,039
6. Oklahoma	70,149	16. Missouri	8,031
7. Texas	67,023	17. Washington	7,618
8. Massachusetts	67,012	18. Illinois	4,362
9. New Jersey	45,515	19. New Hampshire	3,029
10. Pennsylvania	28,482	20. Ohio	2,320

*All figures in \$ Thousands**Source: FPDC and INPUT*



## Major Contracts

Exhibit 6 provides a brief overview of the major active IT contracts at the Federal Aviation Administration. INPUT speculates increased use of agency and

interagency IDIQ contracts in response to the simplification of regulations governing the purchase of commercial items. This information is taken from INPUT's IMPACT database of active and awarded IT programs.

Exhibit 6

### Major Contracts at the Federal Aviation Administration

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
Service Operations Support (SOS4)	Professional Services Cost Plus Fixed Fee	\$ 31 M 6 years	Technical Management Assistance Corp. provides the FAA Technical Center in Atlantic City International Airport, NJ with engineering and technical support services for the National Airspace System Awarded in March, 1996
Direct User Access Terminal II (DUAT II)	Network/Telcom Services Firm Fixed Price, IDIQ	5 years	GTE and Data Transformation Corporation provide the FAA with DUAT network services as part of the National Airspace System modernization program, allowing access to flight services information over PCs. Awarded in March, 1996
Service Operations Support (SOS3)	Professional Services Cost Plus Fixed Fee	\$ 31.6 M 6 years	Dimensions International provides the FAA Technical Center in Atlantic City, NJ with engineering and technical support services for the National Airspace System (NAS). Awarded in March, 1996
Aeronautical Information System (AIS)	Professional Services Task Order	\$ 12.6 M	GTE satisfies the Federal Aviation Administration's (FAA) requirements for an aeronautical information system through the Information Technology Omnibus Procurement (ITOP) contract (PAR VII-12-118). Awarded in May, 1996

## Major Contracts at the Federal Aviation Administration (cont.)

Telecom Satellite System (FAATSAT)	Network/ Telcom Services  Firm Fixed Price, IDIQ	\$ 165 M 10 years	MCI provides alternate communications channels and portable support services for contingencies and broadcast applications, consolidating a variety of existing CONUS satellite services. Awarded in June, 1996
Weather And Radar Processor (WARP)	Professional Services  Cost Plus Award Fee	\$ 72.5 M 8 years	Harris provides the FAA with follow-on WARP services, offering support of real-time air traffic control operations to the agency's meteorologists. Awarded in June, 1996
Electronic Document Management System (EDMS)	Image Systems  Firm Fixed Price, IDIQ	\$ 20 M 8 years	Litton/PRC provides a document management system using electronic imagery technology to store and retrieve airmen and aircraft registry documents as part of the Registry Modernization Project. Awarded in September, 1996
Standard Terminal Automation Replacement System (STARS)	Computer Equipment	\$ 952 M 5 years	Raytheon provides the Administration with commercial off-the-shelf terminal air traffic control automation systems to supplement the Advanced Automation System (AAS) held by Lockheed Martin. Awarded in September, 1996
National Airspace System Implementation Support Contract II (NISC II)	Professional Services  Cost Plus Award Fee	\$ 1.3 B 7 years	Lockheed Martin provides the Federal Aviation Administration (FAA) continued national airspace system (NAS) modernization support services through its NAS Implementation Support Contract II (NISC II). Awarded in September, 1996
FIP Support Services	Professional Services  Time And Materials	\$ 0.8 M 5 years	Kenrob and Associates will satisfy the Federal Aviation Administration (FAA) Technical Center in Atlantic City, NJ requirements for FIP Support Services for the Center's administrative services in the areas of application systems development and an option for telecommunications support. Awarded in September, 1996



## Major Contracts at the Federal Aviation Administration (cont.)

Hardware Maintenance And Logistic Support	Hardware Maintenance Firm Fixed Price	2 years	IBM satisfies the Federal Aviation Administration (FAA) requirement for hardware maintenance and logistic support for the Oceanic Display and Planning (ODAPS) and Off-Shore Display and Planning (OFDPS) Systems. Awarded in October, 1996
Technical Support Services For Aviation System Standards (AVN)	Professional Services Time And Materials	\$ 14 M 5 years	DataCom Sciences will continue to satisfy the Federal Aviation Administration's (FAA) requirements for technical support services in support of Aviation Systems Standards (AVN). Awarded in October, 1996
GPS Wide Area Augmentation System (WAAS)	Professional Services Firm Fixed Price, IDIQ	\$ 484 M 7 years	Hughes provides the FAA with an augmentation system for increasing the accuracy of Global Positioning System (GPS) satellites to allow civilian aviation usage. Awarded in October, 1996
GPS Communication Services	Network/ Telcom Services	\$ 100 M 10 years	COMSAT provides satellite communication services to support testing of the FAA's GPS Wide Area Augmentation System (WAAS) program with Hughes. Leased channels are provided on Inmarsat-3 satellites that cover the western Atlantic and Pacific oceans. Awarded in December, 1996
Integrated Terminal Weather System (ITWS)	Systems Integration Cost Plus Fixed Fee	\$ 44.5 M 8 years	Raytheon will satisfy the Federal Aviation Administration's (FAA) requirement to provide weather information to the entire aviation community. Awarded in January, 1997
FAA Information Technology Operations Support	Professional Services Firm Fixed Price, IDIQ	\$ 45 M 5 years	Kenrob & Associates provides the Federal Aviation Administration (FAA) information technology (IT) operational support services. Awarded in February, 1997

## Major Contracts at the Federal Aviation Administration (cont.)

Software Maintenance And Software Engineering Support Services	Software Maintenance Firm Fixed Price	\$ 500 M 5 years	The Federal Aviation Administration (FAA) is acquiring software maintenance and software engineering support services from Lockheed Martin. Awarded in April, 1997
National Infrastructure Management System (NIMS)	Professional Services Firm Fixed Price, IDIQ	\$ 100 M 5 years	Hughes will fulfill the Department of Transportation's Federal Aviation Administration (FAA) requirement for a National Infrastructure Management System (NIMS). Awarded in April, 1997
Acquisition Management System Independent Evaluation	Professional Services Firm Fixed Price	\$ 0.8 M 4 years	The Federal Aviation Administration (FAA) is acquiring independent evaluation services of their acquisition management system (AMS) from Peoplesoft. Awarded in May, 1997
Integrated Computing Environment - Mainframe and Networking (ICEMAN)	Outsourcing	\$ 250 M	The Department of Agriculture provides the Federal Aviation Administration (FAA) with data processing services in a follow-on effort to the Computer Resources Nucleus (CORN) contract (PAR VII-11-028). Awarded in May, 1997
Hardware Maintenance and Logistic Support	Hardware Maintenance Firm Fixed Price	2 years	IBM satisfies the Federal Aviation Administration (FAA) requirement for hardware maintenance and logistic support for the Oceanic Display and Planning (ODAPS) and Off-Shore Display and Planning (OFDPS) Systems. Awarded in June, 1997
FSAS Operational And Supportability Implementation System (OASIS)	Computer Equipment Cost Plus Incentive Fee	\$ 111 M 3 years	Harris is providing FSAS Operational Supportability System which will upgrade the FAA's Flight Service Automation System (FSAS) Automated Flight Service Station (AFSS) equipment. Awarded in August, 1997



## Major Contracts at the Federal Aviation Administration (cont.)

ACQUIRE System (ACQUIRE)	Software Products Firm Fixed Price, IDIQ	\$ 55 M 5 years	The Federal Aviation Administration (FAA) has a contract with Oracle Corporation for a commercial off-the-shelf (COTS) automated procurement system (ACQUIRE system). Awarded in August, 1997
Radar Support System (RSS)	Professional Services Firm Fixed Price, IDIQ	\$ 1.3 M 3 years	The Federal Aviation Administration (FAA) has a contract with Technology Services Corporation for radar system support. Awarded in September, 1997
Telecommunications Implementation Support Services	Network/ Telcom Services Time and Materials	\$ 22 M 5 years	The Federal Aviation Administration (FAA) has a contract with Universal Technologies for telecommunications implementation support services for national airspace system (NAS) interfacility communication system. Awarded in September, 1997
Communications Navigation Surveillance and Air Traffic Management Systems (CNS/ATM)	Professional Services Task Order, FFP	\$ 10 M 5 years	The Federal Aviation Administration (FAA) has a contract with Stanford Telecommunications for technical services in support of communications, navigation, surveillance (CNS) and air traffic management (ATM) systems. Awarded in October, 1997
Aviation Systems Integration and Analysis Technical Support	Professional Services Cost Plus Fixed Fee	\$ 2.5 M 5 years	The Federal Aviation Administration (FAA) has a contract with Ohio University for aviation systems integration and analysis technical support. Awarded in October, 1997
Information Technology Support Services	Professional Services Firm Fixed Price, Labor Hour	\$ 1.4 M 5 years	The Federal Aviation Administration (FAA) has a contract with RG II Technologies for information technology support services for the FAA Regional Office (FAARO) in Burlington, MA. Awarded in October, 1997
Regional Tracking Program Oracle Support (RTP)	Professional Services Time & Materials	\$ 2.3 M 3 years	The Federal Aviation Administration (FAA) has a contract with Oracle for support services in support of the Regional Tracking Program (RTP). Awarded in December, 1997



## Major Contracts at the Federal Aviation Administration (cont.)

Traffic Alert And Collision Avoidance System II (TCAS II)	Professional Services  Time and Materials	\$ 2.5 M 5 years	The Federal Aviation Administration (FAA) has a contract with TASC for technical, engineering and management support of the Traffic Alert and Collision Avoidance System (TCAS). Awarded in February, 1998
Traffic Management Systems (TMS)	Professional Services  Task Order, CPAF	\$ 6 M 5 years	Aviation Technology Systems satisfies the Federal Aviation Administration (FAA) requirements for a traffic management system (TMS) transition platform. Awarded in February, 1998

Source: INPUT

## Issues at the Federal Aviation Administration

1. The Federal Aviation Administration is cited for being at significant risk of system failure by the Office of Management and Budget (OMB) in its 4<sup>th</sup> Quarterly Report, "Progress on the Year 2000 Conversion." The report encourages the FAA to give significantly greater attention to contingency planning, determine priorities for system conversion and replacement based on systems' mission-criticality, develop plans for validating and testing all converted or replaced systems and develop realistic contingency plans for all business lines. A special concern is the Host Computer System at air traffic control centers. The FAA plans a "two-track approach" of fixing code and replacing old main frames with new hardware. The fear is that system failures could shut down the air traffic control network which controls commercial flights in U.S. air space.

2. The FAA's \$1 billion STARS (Standard Terminal Automation Replacement System) project, scheduled to begin deployment late in 1998 is an ambitious effort to upgrade the huge system of

computers and radar displays that monitor and control commercial air traffic in the U.S. The FAA has been criticized for poor management techniques for a failed prior effort to modernize the air traffic system. That \$7.6 million dollar effort, the Advanced Automation System (AAS), did not realize modernization objectives. A recent GAO report criticizes the management structure at the FAA as not effective and points out that no organizational entity is responsible for developing and maintaining the air traffic control architecture. The STARS program, which will replace systems at 362 U.S. airports, is scheduled for completion in 2005.

## On-Line Information Resources

The Federal Aviation Administration maintains a World Wide Web home page accessible at "<http://www.faa.gov>". This site contains extensive information about the agency's structure, various organizations and major program initiatives, among others. The FAA Office of Public Affairs is also accessible at this site, offering agency publications, press releases and personnel locator services.



For business opportunities at the Administration, the Office of Acquisition is also on-line and can be reached directly at

"<http://www.faa.gov/asu/cd/faaacq.htm>"  
Posted are contracting opportunities and active contracts, in addition to documents that highlight acquisition reform and acquisition practices within the FAA.

## Major Points of Contact

### **FAA Administrator**

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- Software and Services Vendors
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  - ⇒ Market Forecasts
  - ⇒ Agency Profiles
  - ⇒ Procurement Analysis (PAR)
  - ⇒ Awards (FAIT)

## CUSTOM PROJECTS

- For Vendors - Analyze:
  - Market strategies and tactics
  - Product/service opportunities
  - Customer satisfaction levels
  - Competitive positioning
  - Acquisition targets
- For Buyers - Evaluate:
  - Specific vendor capabilities
  - Outsourcing options
  - Systems plans
  - Peer position

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# Agency Profile

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## Department of Health and Human Services

### Purpose

The Department of Health and Human Services (HHS) is the primary federal agency responsible for the health, welfare and income security of the American public. To this end, the Department carries

out programs and advises on policy for medical and social science research, the prevention of disease, food and drug safety, financial assistance, child support and health, substance abuse treatment and prevention, the eradication of child abuse and care for the elderly.

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### Organization

The Department of Health and Human Services was created as the Department of Health, Education and Welfare on April 11, 1953 (5 U.S.C. app.) and was redesignated on May 4, 1980 by the Department of Education Organization Act (20 U.S.C. 3508).

The Department is headed by a Secretary, appointed by the President with the advice and consent of the Senate, who is aided by the Deputy Secretary, Chief of Staff, General Counsel and the Inspector General. Additional assistance and consultation are provided by seven Assistant Secretaries, five Administrators and the several Directors and Commissioners, who are collectively responsible for the agency's 11 operating divisions and various staff offices. Administrative support is provided by the

Program Support Center, a self-supporting operating division.

The functions of the Department of Health and Human Services are carried out at its Washington, DC headquarters, 10 regional headquarters and numerous field offices. Each region is headed by a Regional Director who has oversight of the activities within the respective district and reports directly to the Secretary of Health and Human Services. HHS regional headquarter locations are presented in Exhibit 1.

Exhibit 1

### HHS Regional Offices

Region I	Boston, Massachusetts
Region II	New York, New York
Region III	Philadelphia, Pennsylvania
Region IV	Atlanta, Georgia
Region V	Chicago, Illinois
Region VI	Dallas, Texas
Region VII	Kansas City, Missouri
Region VIII	Denver, Colorado
Region IX	San Francisco, California
Region X	Seattle, Washington

Source: U.S. Government Manual

HHS is currently headed by Secretary Donna Shalala and employs approximately 59,000 people nationwide, a level not significantly changed from this time last year. Approximately 45% of the agency's employees are located in the Washington, DC area.

The organizational structure of the Department of Health and Human Services is presented in Exhibit 2.

Exhibit 2

### Health and Human Services Organization

#### Secretary

#### Deputy Secretary

- Assistant Secretary for Legislation
- Assistant Secretary for Planning and Evaluation
- Assistant Secretary for Public Affairs
- Assistant Secretary for Administration on Aging
- Assistant Secretary for Administration for Children and Families
- Assistant Secretary for Management and Budget
- Assistant Secretary for Health
- Chief of Staff
- Disease Prevention and Health Promotion
- International and Refugee Health
- Intergovernmental Affairs and Regional Directors
- Consumer Affairs
- Population Affairs
- Civil Rights
- Inspector General
- Surgeon General
- General Counsel

#### Operating Divisions:

- National Institutes of Health
- Food and Drug Administration
- Health Care Financing Administration
- Centers for Disease Control and Prevention
- Indian Health Services
- Health Resources and Services Administration
- Agency for Health Care Policy and Research
- Agency for Toxic Substances and Disease Registry
- Substance Abuse and Mental Services Administration
- Administration on Aging
- Administration for Children and Families
- Program Support Center

Source: Carroll Publishing 1996



## Program Activities

Below are the primary operating divisions within the Department of Health and Human Services and a brief description of their responsibilities. Due to their volume, centers and administrations within each operating division are listed without description.

### *a. Public Health and Science*

The Office of Public Health and Science serves as the focal point for research and program coordination across the Department in public health and science. The Office has oversight of all broad public health assessments designed to anticipate future health issues and problems, and it devises and implements interventions and evaluations to maintain or improve the overall health of the nation. Through the Surgeon General, the Office also provides direction and policy oversight for the operating divisions within the Public Health Service. Its activities are primarily conducted through the following offices:

- Office of Women's Health
- Office of Minority Health
- Office of Emergency Preparedness
- Office of Population Affairs
- Office of International and Refugee Health
- Office of Disease Prevention and Health Promotion
- President's Council on Physical Fitness and Sports
- Office of Research Integrity
- Office of HIV/AIDS
- Office of the Surgeon General

### *b. Administration on Aging*

The Administration is the principal agency designated to carry out the provisions of the Older Americans Act of 1965, as amended (42 U.S.C. 3001 et seq.). As the lead agency within HHS on all issues concerning aging, it advises the Secretary

and other federal agencies on the needs of older people, develops policies and programs to promote their welfare and administers grants and training courses to foster elderly community programs on the state and local level.

### *c. Administration for Children and Families*

The Administration for Children and Families (ACF) provides executive direction and advises the Secretary of Health and Human Services on programs related to the welfare and health of America's youth and specified disabled groups. It also administers grants and works with other federal and local government agencies to educate the public on such matters. Major components of ACF include:

- Administration on Children, Youth and Families (ACYF)
- Administration on Developmental Disabilities (ADD)
- Administration for Native Americans (ANA)
- Child Support Enforcement (CSE)
- Community Services
- Refugee Resettlement
- Office of Family Assistance
- Office of Regional Operations

### *d. Agency for Health Care Policy and Research*

The Agency (AHCPR) is the federal government's focal point for health services research and is the only federal agency charged with producing and disseminating scientific and policy-relevant information about the quality, medical effectiveness and cost of health care. AHCPR supports and conducts research to understand the design and performance of the health care delivery system with the goals of reducing health care costs, developing clinical practice guidelines and expanding the scientific evidence for cost-effective clinical practices.



*e. Agency for Toxic Substances and Disease Registry*

The primary function of the Agency (ATSDR) is to prevent exposure and adverse human health effects associated with exposure to hazardous substances from waste sites and other sources of pollution present in the environment. To accomplish this, ATSDR works in cooperation with states and other federal and local agencies to evaluate information on the release of hazardous substances into the environment, to understand the relation between exposure to such substances and adverse health effects, to maintain registries of persons exposed for long-term studies and to consult and train the population on dealing with such exposure.

*f. Centers for Disease Control and Prevention*

The Center (CDC) is the federal agency charged with protecting the public health of the nation by providing leadership and direction in the prevention and control of diseases and other preventable conditions, as well as responding to public health emergencies. The Center also directs and enforces foreign quarantine regulations and provides consultation to other nations on the control and prevention of disease. CDC is composed of 11 major operating components:

- Epidemiology Program Office
- International Health Program Office
- National Immunization Program Office
- Public Health Practice Program Office
- National Center for Prevention Services
- National Center for Environmental Health
- National Center for Injury Prevention and Control
- National Institute for Occupational Safety and Health
- National Center for Chronic Disease Prevention and Health Promotion

- National Center for Infectious Diseases
- National Center for Health Statistics

*g. Food and Drug Administration*

Food and Drug Administration (FDA) activities are directed toward protecting the health of the nation against impure and unsafe foods, drugs and cosmetics and other potential hazards. To this end, the FDA administers food and drug regulations and ensures national compliance with them through its regional Food and Drug Directors and the operation of numerous field offices. Major program activities include food and drug product labeling and safety inspection, controlling unnecessary exposure to radiation-emitting electronic products and ensuring the effectiveness of animal drugs, feeds and medical devices. Major FDA offices include:

- Office of Regulatory Affairs
- Center for Drug Evaluation and Research
- Center for Biologics Evaluation and Research
- Center for Food Safety and Applied Nutrition
- Center for Veterinary Medicine
- Center for Devices and Radiological Health
- National Center for Toxicological Research

*h. Health Care Financing Administration*

The Health Care Financing Administration (HCFA) was created as a principal operating component of HHS by the Secretary on March 8, 1977 to combine under one administration the oversight of the Medicare program, the federal portion of the Medicaid program and related quality assurance activities. Medicare provides health insurance coverage for people age 65 and over, as well as younger people who are receiving social security disability benefits. Medicaid is a medical assistance



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program jointly financed by state and federal governments for eligible low-income individuals.

*i. Health Resources and Services*

*Administration*

Established within HHS on October 31, 1995, the Administration (HRSA) is the principal health care service agency of the federal government. Its purpose is to make essential primary care services accessible to the poor, uninsured and geographically isolated. HRSA works integrally with state and local governments to improve and expand primary health care services through a broad array of categorical and block grants. Its activities are carried out through five bureaus:

- Bureau of Primary Health Care
- Division of Immigration Health Services
- Bureau of Health Professions
- Bureau of Health Resources Development
- Maternal and Child Health Bureau (MCH)

*j. Indian Health Service*

With tribal involvement, the Indian Health Service provides a comprehensive health services delivery system for American Indians and Alaska natives. Program activities include health management training and coordination, human resource development, hospital and ambulatory medical care and sanitation facilities development.

*k. National Institutes of Health*

The National Institutes of Health (NIH) is the principal biomedical research agency of the federal government. NIH seeks to expand fundamental knowledge about the nature and behavior of living systems, to apply that knowledge for extending human health and to reduce the burdens resulting from disease and disability. It supports biomedical and behavioral research

domestically and abroad, conducts research in its own laboratories and clinics, trains researchers and promotes the acquisition and dissemination of medical knowledge. Key institutes include:

- National Cancer Institute
- National Heart, Lung and Blood Institute
- National Library of Medicine
- National Institute of Diabetes and Digestive and Kidney Diseases
- National Institute of Allergy and Infectious Diseases
- National Institute of Child Health and Human Development
- National Institute on Deafness and Other Communication Disorders
- National Institute of Dental Research
- National Institute of Environmental Health Sciences
- National Institute of General Medical Sciences
- National Institute of Neurological Disorders and Stroke
- National Eye Institute
- National Institute on Aging
- National Institute of Alcohol Abuse and Alcoholism
- National Institute of Arthritis and Musculoskeletal and Skin Diseases
- National Institute on Drug Abuse
- National Institute of Mental Health
- National Institute of Nursing Research
- Clinical Center
- Fogarty International Center
- National Center for Human Genome Research
- National Center for Research Resources
- Division of Research Grants
- Division of Computer Research and Technology

*l. Program Support Center*

The Program Support Center (PSC) is a self-supported operating division within the

Department designed to provide administrative support services to HHS components and other federal agencies. The Center was created as a business enterprise to provide such services on a competitive fee-for-service basis. Services are provided in four broad areas, as reflected by its components:

- Human Resources Service
- Financial Management Service
- Administrative Operations Service
- Information Technology Service

*m. Substance Abuse and Mental Health Services Administration*

The Administration (SAMHSA) serves as the national focal point to ensure that knowledge and information are effectively used for the prevention and treatment of addictive and mental disorders. Through grants, research and educational programs, it attempts to improve access and reduce barriers to high-quality programs and services for individuals who suffer from or are at risk for these disorders, as well as for

their families and communities. SAMHSA carries out its activities through three primary centers:

- Center for Substance Abuse Prevention
- Center for Substance Abuse Treatment
- Center for Mental Health Services:

## **Program Budget**

With only minor exceptions, federal funding for the Department of Health and Human Services is expected to experience moderate growth over the next five years, from \$231 billion in FY 1998 to \$322 billion in FY 2003. One significant exception in HHS' program budget is federal funding for the Health Care Financing Administration, expected to increase from \$170 billion in 1998 to \$244 billion in 2003.

The program budget for the Department of Health and Human Services is presented in Exhibit 3. These figures represent net federal funds but do not account for offsetting collections or changes in orders on hand from federal sources, where applicable.



Exhibit 3

### Program Budget of the Department of Health and Human Services

Program Accounts	Budget Authority by FY in \$ Millions						
	1997	1998	1999	2000	2001	2002	2003
Food and Drug Administration	\$888	\$926	\$971	\$1,028	\$1,080	\$1,079	\$1,110
Health Resources and Services Administration	3,563	3,709	3,865	3,833	3,806	3,769	3,794
Indian Health Services	2,062	2,134	2,153	2,137	2,118	2,092	2,146
Centers for Disease Control and Prevention	2,303	2,380	2,458	2,452	2,437	2,415	2,475
National Institutes of Health	12,779	13,676	14,826	15,689	16,660	18,025	20,216
Substance Abuse and Mental Health Services	2,195	2,197	2,280	2,271	2,256	2,233	2,285
Health Care Policy and Research	97	90	101	103	105	107	111
Health Care Financing Administration	164,943	169,995	174,728	192,761	208,625	224,432	244,117
Administration for Children and Families	37,597	34,517	39,738	41,065	42,135	43,047	44,323
Aging Services Programs	832	865	871	871	871	871	871
General Departmental Management	227	232	215	215	213	211	216
Program Support Center	180	191	202	213	225	238	251
Office of the Inspector General	33	32	29	29	29	28	29
<b>Total Program Budget</b>	<b>227,699</b>	<b>230,944</b>	<b>242,437</b>	<b>262,667</b>	<b>280,560</b>	<b>298,547</b>	<b>321,944</b>

Source: Budget of the United States Government FY1999

### Information Technology Budget

Total spending on information technology (IT) at the Department of Health and Human Services is projected to increase from \$1.1 billion in FY 1997 to \$1.4 billion in FY 2002 at a CAGR of 5.2% — almost 1% lower than the average for federal civilian agencies. This moderate growth will be primarily driven by the strong anticipated market for support services (9.2% CAGR). The department's total addressable budget is expected to

increase steadily from \$870 million in FY 1997 to \$1.3 billion in FY 2002, its growth reinforced by the continuing decline in personnel funds.

The information technology budget of the Department of Health and Human Services is provided in Exhibit 4. Figures are rounded to the nearest million and may account for subtotal discrepancies.

## Exhibit 4

## Information Technology Budget of the Department of Health and Human Services

Category	Spending in Obligations by FY in \$ Millions						CAGR 1997- 2002
	1997	1998	1999	2000	2001	2002	
<b>Equipment:</b>							
Capital Purchases	\$80	\$73	\$76.7	\$81.2	\$86.9	\$93.9	3.3%
Other Purchases and Leases	76	85	89.3	94.6	101.2	109.3	7.5%
<b>Total Equipment</b>	<b>156</b>	<b>158</b>	<b>165.9</b>	<b>175.9</b>	<b>188.2</b>	<b>203.2</b>	<b>5.4%</b>
<b>Software:</b>							
Capital Purchases	34	7	7.5	8.1	8.8	9.7	-22%
Other Purchases and Leases	12	12	12.8	13.9	15.1	16.6	6.7%
<b>Total Software</b>	<b>46</b>	<b>19</b>	<b>20.3</b>	<b>22</b>	<b>23.9</b>	<b>26.3</b>	<b>-10.6</b>
<b>Services (Processing and Telecom.)</b>	<b>80</b>	<b>83</b>	<b>87.2</b>	<b>92.4</b>	<b>98.8</b>	<b>106.8</b>	<b>5.9%</b>
<b>Support Services</b>	<b>588</b>	<b>613</b>	<b>668.2</b>	<b>735</b>	<b>815.8</b>	<b>913.7</b>	<b>9.2%</b>
<b>Contracted Out Portion of IT Budget</b>	<b>870</b>	<b>873</b>	<b>941.6</b>	<b>1,025.2</b>	<b>1,126.8</b>	<b>1,250</b>	<b>7.5%</b>
<b>Supplies</b>	<b>9</b>	<b>10</b>	<b>10.5</b>	<b>11.1</b>	<b>11.9</b>	<b>12.9</b>	<b>7.4</b>
<b>Personnel</b>	<b>226</b>	<b>233</b>	<b>219</b>	<b>201.5</b>	<b>181.3</b>	<b>159.6</b>	<b>-6.7%</b>
<b>Total IT Budget</b>	<b>1,105</b>	<b>1,116</b>	<b>1,171.1</b>	<b>1,237.8</b>	<b>1,320</b>	<b>1,422.5</b>	<b>5.2%</b>

Source: Department of Health and Human Services and INPUT



## IT Contract Opportunities

The major Department of Health and Human Services acquisitions summarized below are currently active:

*a. ADP Support Services For The Center Of Intramural Research*

Type: TBD

The purpose of this contract is to support health services and health policy research by providing timely, efficient database management, computer programming, computer-related consulting and technical assistance and editorial and graphics services in support of activities in multiple Public Health Service divisions.

*b. CERTAN Network Infrastructure*

Type: Firm Fixed Price, IDIQ

The National Institutes of Health intends to acquire network infrastructure equipment and support services as a part of the CERTAN project.

*c. Computer Systems Analysis And Programming Services*

Type: Cost Plus Award Fee, IDIQ

The Centers for Disease Control and Prevention's (CDC) National Institute for Occupational Safety and Health (NIOSH) intends to acquire continued information systems development support and related services at its facilities in Morgantown, WV.

*d. Development Operation and Maintenance of the NCI Drug Information System*

Type: Level of Effort

The National Cancer Institute (NCI) of the Department of Health and Human Services intends to acquire development, operation and maintenance services in

support of the NCI drug information system (DIS).

*e. Geographic Information System for the Long Island Breast Cancer Study*

Type: Cost Reimbursement

The Division of Cancer Control and Population Sciences (DCCPS), National Cancer Institute (NCI) intends to implement Phase I of a geographic information system (GIS) to support the Long Island Breast Cancer Study Project (LIBCSP).

*f. HCFA Data Center Facility Management Services Recompete*

Type: Cost Plus Award Fee

The Health Care Financing Administration (HCFA) has continuing requirements for data center facilities management services.

*g. Medicare Transaction System Operating Site*

Type: Cost Plus Award Fee

The Health Care Financing Administration (HCFA) has a requirement for Medicare Transaction System (MTS) operating sites.

*h. Metamorph Basis System Information Technology Equipment*

Type: TBD

The National Institutes of Health's (NIH) National Heart, Lung and Blood Institute (NHLBI) intends to purchase a Metamorph Basis System, manufactured by Universal Imaging Corporation.

*i. Microprocessor Support Services Recompete*

Type: Cost Plus Fixed Fee

The Centers for Disease Control and Prevention (CDC) and the Agency for Toxic Substances and Disease Registry intend to acquire continued hardware maintenance, software support, local and

wide area network (LAN/WAN) administration, as well as video and teleconferencing support services.

*j. National Heart Lung and Blood Institute Health Information Network*

Type: Cost Plus Award Fee

The Office of Prevention, Education, and Control (OPEC) of the National Heart, Lung and Blood Institute (NHLBI) intends to acquire services to develop a "world class" research translation and dissemination program that can take advantage of technology now and in the 21st century.

*k. NCTR ADP Support Services Recompete*

Type: Cost Plus Award Fee

The Food and Drug Administration (FDA) intends to acquire on-going automated data processing (ADP) services in support of toxicological experiment activities at the FDA's National Center for Toxicological Research (NCTR).

*l. Network Acquisition and Support*

Type: Firm Fixed Price, IDIQ

The Food and Drug Administration (FDA) intends to acquire network support services.

*m. Network Personal Computer Support Services Recompete*

Type: Firm Fixed Price, IDIQ

The Department of Health and Human Services' Office of the Secretary (OS) has

an ongoing requirement for network personal computer support services.

*n. Operation and Management of the Center for Drug Evaluation and Research Document Control Room*

Type: TBD

The Center for Drug Evaluation and Research intends to acquire management and operational services in support of the document control rooms for the Center for Drug Evaluation and Research.

## HHS Acquisition Profile

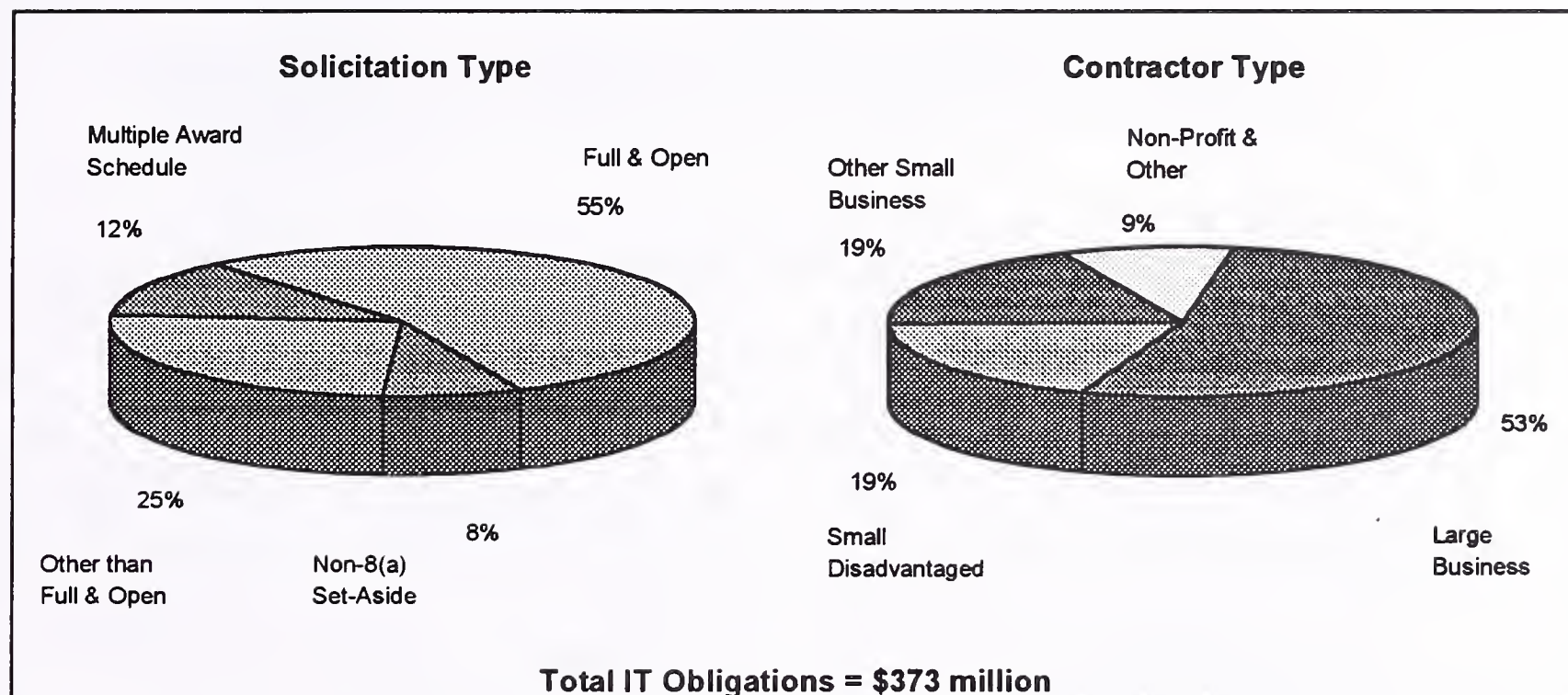
Exhibit 5 provides a graphical summary of the procurement vehicles used by the Department of State to acquire its IT products and services, as well as the type of contractor providing them. These figures reflect shares of the total information technology contract dollars obligated by the agency during FY 1996.

"Other than full and open" competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases. Non-profit, educational and workshop organizations comprise the "non-profit and other" contractor component. Domestic contractors performing work outside the continental United States (OCONUS) and foreign contractors are represented by the "foreign and OCONUS" component under Contractor Type.



Exhibit 5

### Acquisition Profile for the Department of Health and Human Services FY 1996



Source: FPDC and INPUT

### Top Contractors and Obligations by State

A list of the top IT contractors with HHS is provided in Exhibit 6. Exhibit 7 lists the top 20 states of performance for the agency's IT obligations. Contract obligations are the government's intent to purchase, and while not necessarily spent, they do reflect actual spending trends. This data is based on obligations reported to the Federal Procurement Data Center (FPDC) at GSA for contract actions dated between October 1, 1995 and September 30, 1996.

Exhibit 6

### Top Contractors at HHS FY 1996

1. IBM
2. Row Sciences
3. Booz-Allen & Hamilton
4. SRA International
5. SAIC
6. Data Management Services Inc.
7. Data Computer Corporation of America
8. University of Iowa
9. Capital Technology Information
10. Ameridata

Source: FPDC and INPUT

## Exhibit 7

**Top Department of Health and Human Services Obligations by State  
FY 1996**

State	IT Obligations	State	IT Obligations
1. Maryland	\$253,136	11. Oregon	\$3,656
2. Virginia	38,065	12. Texas	3,070
3. Washington, DC	16,154	13. Minnesota	2,868
4. Massachusetts	7,612	14. Illinois	2,806
5. Iowa	6,257	15. Ohio	2,354
6. New York	4,528	16. Indiana	2,290
7. North Carolina	4,322	17. West Virginia	2,108
8. Pennsylvania	3,908	18. Florida	2,047
9. New Jersey	3,901	19. Oklahoma	1,693
10. California	3,780	20. Louisiana	997

*All figures in \$ Thousands**Source: FPDC and INPUT*



## Major Contracts

Exhibit 8 provides a brief overview of the major active IT contracts at the Department of Health and Human Services. INPUT speculates increased use

of agency and interagency IDIQ contracts in response to the simplification of regulations governing the purchase of commercial items. This information is taken from INPUT's IMPACT database of active and awarded IT programs.

Exhibit 8

### Major Contracts at the Department of Health and Human Services

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
Cancer Therapy Evaluation Program Information Management and Computer Support	Professional Services	\$ 12 M 7 years	Capital Technology Information Systems CTIS provides the NCI with hardware and software maintenance, information management problem resolution, programming and data management support for its Cancer Therapy Evaluation Program. Awarded in March, 1996
Training Resources User Services and Technology Support (TRUST)	Professional Services Cost Plus Fixed Fee	7 years	Booz-Allen and Hamilton will provide the Food and Drug Administration (FDA) with resources for training, user services and technology (TRUST) services for FDA information systems. Awarded in August, 1996
Imageworld Contract	Image Systems Firm Fixed Price, IDIQ	\$ 20 M 5 years	The National Institutes of Health's (NIH) National Information Technology Acquisition and Assessment Center (NITAAC) has awarded multiple contracts to acquire electronic imaging system support services for the NIH, DHHS and other federal agencies. Awarded in August, 1996
Chief Information Officer Solutions and Partners (CIOSP)	Professional Services Firm Fixed Price, IDIQ	\$ 100 M 5 years	20 primes provide the NIH National Information Technology Acquisition and Assessment Center (NITAAC) with integration and outsourcing support services. Awarded in August, 1996

## Major Contracts at the Department of Health and Human Services (cont.)

Microcomputer and Office Automation Support Services	Computer Equipment Time and Materials	3.5 years	The Department of Health and Human Services' (HHS) Office of the Secretary (OS) will acquire microcomputers and office automation support services from Management Systems Designers. Awarded in September, 1996
NLM LAN and Data Communications Support	Network/ Telcom Services Firm Fixed Price, IDIQ	5 years	The National Library of Medicine (NLM) intends to acquire on-site technical support services for its LAN and related data communications systems from Mil Corp. Awarded in September, 1996
Programming Services	Professional Services Firm Fixed Price, IDIQ	\$ 1 M	Corporate Network will provide the National Institutes of Health (NIH) programming services. Awarded in September, 1996
Health Applications for the National Information Infrastructure	Professional Services Cost Reimbursement	\$ 42 M Various	The National Library of Medicine (NLM) has awarded multiple support services contracts to develop a health applications national information infrastructure. Awarded in September, 1996
CDC Information Systems Support Services (CISSS)	Professional Services Cost Plus Fixed Fee	\$ 200 M 5 years	TRW will satisfy the Centers for Disease Control's (CDC) requirements for computer systems analysis and a variety of programming services at five locations. The primary location will be Atlanta, GA. Awarded in September, 1996
Cancer Information Analysis and Tracking (CIAT)	Professional Services Labor Hour	\$ 9 M 5 years	Aspen Systems Corp will provide the National Cancer Institute's (NCI) International Cancer Analysis Center continued support of the Cancer Information Analysis and Tracking (CIAT) system. Awarded in September, 1996



## Major Contracts at the Department of Health and Human Services (cont.)

Administrative Support Services	Processing Services Firm Fixed Price, IDIQ	5 years	MSTC will satisfy the National Cancer Institute (NCI) requirements for administrative support services at the Grants Administration Branch (GAB). Awarded in October, 1996
NIOSH Information Systems Support Services (NISSS)	Professional Services Cost Plus Fixed Fee	\$ 5.4 M 5 years	HGO Technology will satisfy the National Institute of Occupational Safety and Health (NIOSH) requirement for Information Systems Support Services in Cincinnati, OH. Awarded in November, 1996
LAN/PC Support	Professional Services Labor Hour	\$ 3.7 M 5 years	Hi-Tech International will provide the Department of Health and Human Services with management, technical and operational support services for the Substance Abuse and Mental Health Services Administration's (SAMHSA) LAN and microcomputer environment. Awarded in November, 1996
CERTAN - Corporate Computing Systems For NIH (FEDCAC 108)	Professional Services Firm Fixed Price, IDIQ	\$ 55.3 M 8 years	The Department of Health and Human Services' National Institutes of Health (NIH) intends to acquire enterprise systems in support of Project CERTAN. Awarded in December, 1996
Telecom Support Services for CDC	Network/Telcom Services Cost Plus Fixed Fee	\$ 9.8 M 5 years	Milcom Systems will support the Centers for Disease Control in their efforts to modernize their voice and data communications networks. Awarded in February, 1997
Strategic Information Systems Technical Integration Resources (SISTIR)	Professional Services Cost Plus Fixed Fee	\$ 1 B 7 years	Battelle, BDM, BAH, PSI and SRA will provide the Food and Drug Administration (FDA) services to support the transition of its strategic information systems and resources (SISTIR). Awarded in March, 1997

## Major Contracts at the Department of Health and Human Services (cont.)

Software Processing System for Medicare Part B and Durable Medical Equipment Claims	Software Products Cost Plus Award Fee	\$ 44 M 4 years	EDS and VIPS provide the Health Care Financing Administration (HCFA) with software systems with the capability to process Medicare part B and durable medical equipment (DME). Awarded in April, 1997
Applications Development Program Recompete (ADP)	Professional Services Level of Effort	\$ 6.9 M 5 years	The National Heart, Lung, Blood Institute (NHLBI) intends to acquire continuing services for its Systems and Applications Development Program (ADP). Awarded in June, 1997
Operations Research and Logistics Analysis Support Services	Professional Services Task Order, FFP	\$ 15 M 5 years	Various contractors are satisfying the National Institutes of Health (NIH) requirement for operations research and logistics analysis support services for the Defense Logistics Agency (DLA) and other federal agencies. Awarded in September, 1997
National Patient Claims Database	Software Products Firm Fixed Price	\$ 0.5 M 5 years	MedStat Group provides the Centers for Disease Control and Prevention (CDC) with a national, multi-year, private sector, inpatient and outpatient claims database to assess the utilization and costs for health care services in a defined population. Awarded in September, 1997
Health Studies Support Services Contract	Professional Services Task Order	\$ 1.6 M 5 years	National Opinion Research Center provides the Centers for Disease Control and Prevention (CDC) with data management and support services for the Agency for Toxic Substances and Disease Registry (ATSDR). Awarded in September, 1997
Common Working File Maintenance Support (CWFM)	Software Maintenance Firm Fixed Price, IDIQ	\$ 21 M 5 years	CSC satisfies the Health Care Financing Administration (HCFA) requirement for continued national common working file maintenance (CWFM) support. Awarded in September, 1997



## Major Contracts at the Department of Health and Human Services (cont.)

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## Major Contracts at the Department of Health and Human Services (cont.)

NIH Electronic Computer Store II (ECS II)	Computer Equipment Firm Fixed Price, IDIQ	\$ 1.8 B 5 years	CSR will provide continuing Electronic Computer Store (ECS) services to the National Institutes of Health (NIH). Awarded in September, 1997
Operations Research and Logistics Analysis Support Services	Professional Services Task Order, FFP	\$ 15 M 5 years	Various contractors are satisfying the National Institutes of Health (NIH) requirement for operations research and logistics analysis support services for the Defense Logistics Agency (DLA) and other federal agencies. Awarded in October, 1997
Data Transmission Services in Support of the National Practitioner Data Bank	Network/Telcom Services--Cost Reimb.	\$ 2 M 3 years	National Computer Systems provides the Health Resources and Services Administration (HRSA) with telecommunications services in support of the National Practitioner Data Bank (NPDB). Awarded in October, 1997
NICHHD Pediatric/Prenatal HIV Clinical Trails Network Coordinating Center	Outsourcing Labor Hour	\$ 122 M 5 years	Westat provides the National Institute of Child Health and Human Development (NICHD) support services for its pediatric and maternal HIV clinical trails network coordinating center. Awarded in November, 1997
Federal Information Processing Support Services	Professional Services Task Order, Labor Hour	\$ 0.5 M 4 years	Synetics, Inc. provides the Department of Health and Human Services (HHS) various information technology support services. Awarded in January, 1998
CDC NCHSTP Prevention Information Network (PIN)	Professional Services Cost Plus Award Fee	\$ 33.4 M 5 years	Analytical Sciences satisfies the Centers for Disease Control and Prevention (CDC) requirement for a prevention information network to support the National Center for HIV/AIDS, STD and TB Prevention (NCHSTP). Awarded in February, 1998

Source: INPUT

## Issues at the Department of Health and Human Services

1. In its 4<sup>th</sup> Quarterly Report to Congress "Progress on the Year 2000 Conversion", the Office of Management and Budget places the Department of Health and Human Services in the category of agencies where there is insufficient evidence of adequate progress. The report expresses concern that several operating divisions, including the Health Care Financing Administration (HCFA), have not completed Y2K assessment of external contractors such as Medicare fiscal intermediaries and carriers that process Medicare claims.

2. The National Institutes of Health has created the Center for Information Technology (CIT), an office which combines the functions of the Division of Computer Research and Technology (DCRT), the Office of Information Resources Management (OIRM), and the Telecommunications Branch (TCB) of the Office of Research Services. The new organization is expected to promote interoperability, architectural standards, security and Year 2000 fixes among the 24 centers and research institutes which make up the NIH. As part of the reorganization, NIH appointed Alan Graeff as director of the DCRT and chief information officer.

## On-Line Information Resources

The Department of Health and Human Services maintains a World Wide Web home page accessible at "<http://www.hhs.gov>". While organizational and public affairs

information is available, this site is primarily a consumer information repository. Technical reports and agency guidelines on IRM are also provided through the home page, and can be accessed directly at "<http://www.os.dhhs.gov/policy/>".

Business opportunities at HHS are primarily posted on individual operating division home pages, which are available via the Department's home page.

## Major Points of Contact

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### Deputy Assistant Secretary for Information Resources Management

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# Agency Profile

A Publication from INPUT's Electronic Government Program

Vol. IV, No. 9

May 1998

## Defense Logistics Agency

### Purpose

The Defense Logistics Agency (DLA) is one of the combat support agencies for the Department of Defense. DLA provides material and support to the military services and supports its acquisition of weapons and other equipment.

DLA is responsible for procuring, managing, storing, and distributing millions of items for the U.S. military, other U.S. federal agencies, and allied forces throughout the world. The agency manages contracts awarded by the military services and other federal agencies, manages the Federal Supply Catalog System and maintains the Defense National Stockpile of strategic and critical material.

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### Organization

The Defense Supply Agency, established by the Secretary of Defense in 1961, was renamed the Defense Logistics Agency in 1977. The new name reflected the agency's broadened role in military logistics and evolution into management of a single, unified material distribution system.

DLA is headed by a Director, traditionally a military officer with the (3 star) rank of Lieutenant General or Vice Admiral selected on a rotating basis from the Army, Navy, Air Force or Marine Corps. He is assisted by a Principal Deputy Director who is a military officer with the (2 star) rank of Rear Admiral or Major General. Further assistance is provided by the Director's Staff Group, Chief Information Officer, and Comptroller. DLA's headquarters at Fort

Belvoir, Virginia, develops policy and controls the Agency's extensive field activities.

DLA is currently headed by Lieutenant General Henry T. Glisson, U.S. Army, who assumed command on July 25, 1997.

The organizational structure of the Defense Logistics Agency is presented in Exhibit 1.

### Exhibit 1

#### DLA Organization

Director

Deputy Director

##### Staff Offices:

- General Counsel
- Comptroller
- Corporate Administration
- Human Resources
- Chief Information Officer
- Administrative Support Center
- Office of Operations, Research and Resource Analysis

##### Program Offices:

- Defense Logistics Support Command
  - Defense Supply Center, Columbus
  - Defense Supply Center, Richmond
  - Defense Industrial Supply Center
  - Defense Supply Center, Philadelphia
  - Defense Energy Support Center
  - Defense Logistics Information Service
  - Defense National Stockpile Center
  - DLA Systems Design Center
  - DLA Administrative Support Center
  - Defense Distribution Center
  - Defense Reutilization and Marketing Service
- Defense Contract Management Command
- Defense Automated Printing Service Center

Source: U.S. Government Manual, 1998

#### Program Activities

Below are the primary functional areas within the Defense Logistics Agency:

##### *a. Defense Logistics Support Command*

The Defense Logistics Support Command includes supply centers, service centers and distribution depots which serve to manage, store and distribute millions of



items for the U.S. military, federal agencies and allied forces throughout the world.

*b. Defense Contract Management Command*

Through the Defense Contract Management Command, the Defense Logistics Agency manages contracts awarded by the military services, DLA, the National Aeronautics and Space Administration, other federal agencies and foreign governments.

*c. Defense Automated Printing Service*

The Defense Automated Printing Service (DPAS) is responsible for document automation and printing within the Department of Defense, encompassing electronic conversion, retrieval, output and distribution of digital and hardcopy information. The DAPS is a component of the Defense Automated Printing and Support Center.

*d. Administrative Support Center*

The DLA Administrative Support Center (DASC) is the other main component of the Defense Automated Printing and Support Center. The DASC provides administrative support, including contracting services, to the Fort Belvoir headquarters complex of DLA.

Below are the primary program activities within the Defense Logistics Agency:

*a. Supply Management*

The Defense Logistics Agency buys and manages a vast number and variety of items used by all of the military services and some civilian agencies. The DLA manages supplies in eight commodity areas: fuel, food, clothing, construction material, electronic supplies, general supplies, industrial supplies, and medical supplies. The agency also buys and distributes hardware and electronic items

used in the maintenance and repair of military equipment.

*b. Distribution*

The supply distribution system of the DLA has been consolidated into a single unified system managed by the Defense Distribution Center (DDC), presently located in New Cumberland, PA.

*c. Federal Supply Catalog System*

Managed by the Defense Logistics Information Service, the system lists a National Stock Number and description of over six million items. The catalog system is used throughout the federal government.

*d. Defense National Stockpile*

The Defense National Stockpile of strategic and critical materials is maintained to reduce the Nation's dependence upon foreign sources of supply for such materials in times of national emergency. The Defense National Stockpile Center is authorized to procure and dispose of materials as needed.

*e. Redistribution and Disposal*

Equipment and supplies no longer needed by the original user are redistributed or disposed of by the Defense Reutilization and Marketing Service.

## Program Budget

The annual President's budget identifies only limited federal funding information for the administrative components of the Department of Defense, including DLA. The only direct program funding

information available for DLA is anticipated administration expenses, totaling \$1.1 billion in FY 1999 and mobilization expenses totaling \$20 million in FY 1999.

The program budget for the Defense Logistics Agency is shown in Exhibit 2.

Exhibit 2

### Program Budget of the Defense Logistics Agency

Program Accounts	Budget Authority by FY in \$ Millions			
	1996	1997	1998	1999
Mobilization	\$26	\$28	\$27	\$20
Administration	1,058	1,093	1,086	1,087

Source: Budget of the United States Government FY1998, February 6, 1997

## Information Technology Budget

Total spending on information technology (IT) at the Defense Logistics Agency is projected to remain constant from \$397 million in FY 1997 to \$397 million in FY 2002. The agency's total addressable budget is expected to increase from \$228 million in FY 1997 to \$257 million in FY

2002, its growth reinforced by the continuing decline in personnel funds.

The information technology budget of the Defense Logistics Agency is provided in Exhibit 3. Figures are rounded to the nearest million and may account for subtotal discrepancies.



Exhibit 3

## Information Technology Budget of the Defense Logistics Agency

Category	Spending in Obligations by FY in \$ Millions					
	1997	1998	1999	2000	2001	2002
<b>Equipment:</b>						
Capital Purchases	\$35.2	\$36.6	\$21.5	\$22.1	\$22.9	\$23.8
Other Purchases and Leases	35.6	46.9	53.3	54.9	56.8	59.1
<b>Total Equipment</b>	<b>70.8</b>	<b>83.5</b>	<b>74.8</b>	<b>77</b>	<b>79.7</b>	<b>82.9</b>
<b>Software:</b>						
Capital Purchases	8.7	5.1	4.5	4.7	4.9	5.1
Other Purchases and Leases	27.8	32.5	36.4	37.9	39.6	41.6
<b>Total Software</b>	<b>36.5</b>	<b>37.5</b>	<b>40.9</b>	<b>42.6</b>	<b>44.5</b>	<b>46.7</b>
<b>Services (Processing and Telecom.)</b>	<b>23.2</b>	<b>23.3</b>	<b>23.9</b>	<b>24.6</b>	<b>25.5</b>	<b>26.5</b>
<b>Support Services</b>	<b>97.2</b>	<b>84</b>	<b>86.1</b>	<b>90.4</b>	<b>95.4</b>	<b>101.1</b>
<b>Contracted Out Portion of IT Budget</b>	<b>227.7</b>	<b>228.3</b>	<b>225.7</b>	<b>234.6</b>	<b>244.1</b>	<b>257.2</b>
<b>Supplies</b>	<b>5.7</b>	<b>6.1</b>	<b>5.8</b>	<b>6</b>	<b>6.2</b>	<b>6.4</b>
<b>Personnel</b>	<b>151.4</b>	<b>146.4</b>	<b>139.7</b>	<b>134.1</b>	<b>127.4</b>	<b>119.8</b>
<b>Other</b>	<b>11.7</b>	<b>12.9</b>	<b>12.1</b>	<b>12.6</b>	<b>13.2</b>	<b>13.9</b>
<b>Total IT Budget</b>	<b>396.5</b>	<b>393.7</b>	<b>383.3</b>	<b>387.3</b>	<b>390.9</b>	<b>397.3</b>

Source: DLA and INPUT

## IT Contract Opportunities

The major Defense Logistics Agency acquisition is summarized below and is currently active:

### *a. Support Services For The Distribution Standard System*

Type: Time and Materials

The Defense Logistics Agency (DLA) is expected to re compete an existing contract to modernize and consolidate the DoD's Defense Distribution Depots.

## DLA Acquisition Profile

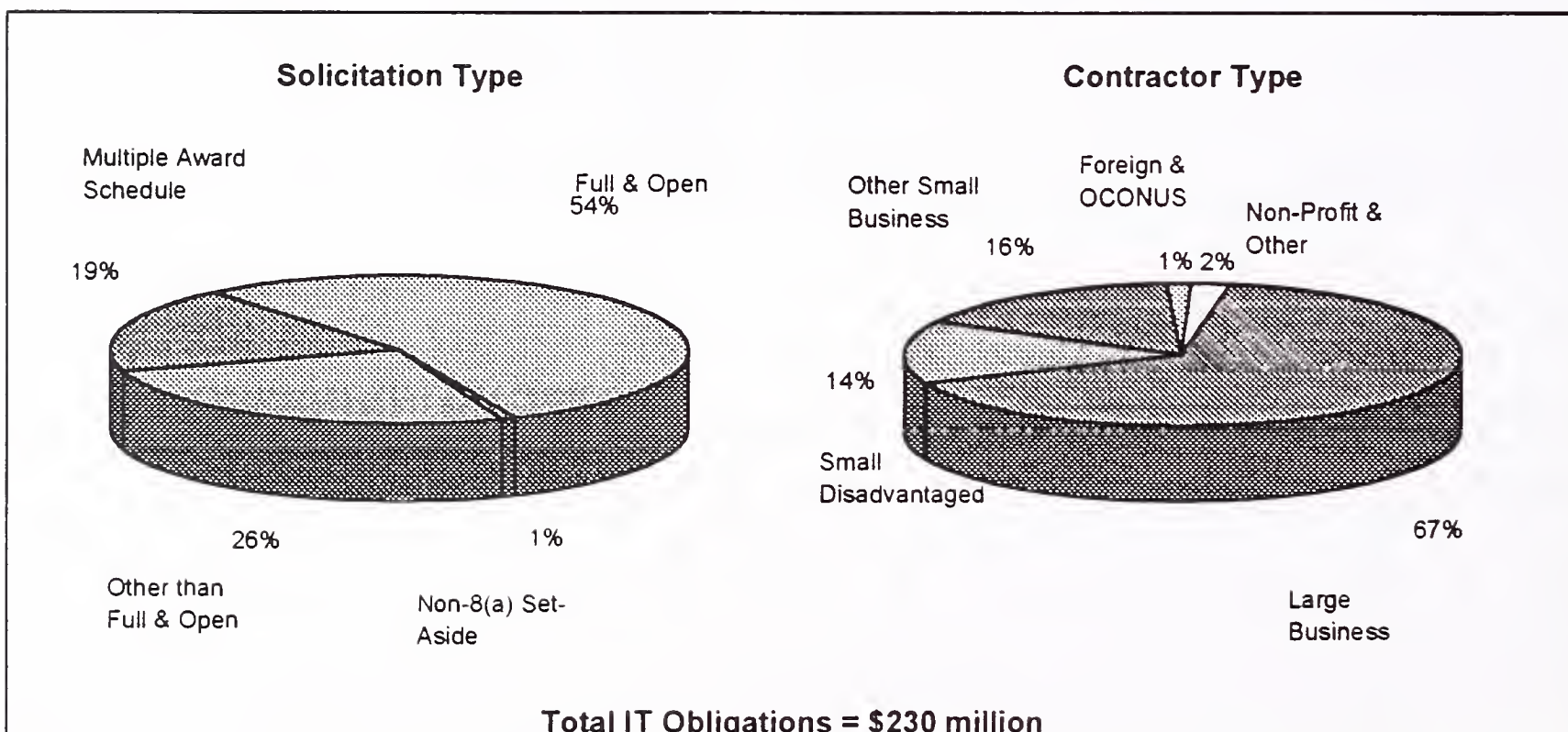
Exhibit 4 provides a graphical summary of the procurement vehicles used by the Defense Logistics Agency to acquire its IT

products and services, as well as the type of contractor providing them. These figures reflect shares of the total information technology contract dollars obligated by the agency during FY 1996.

"Other than full and open" competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases. Non-profit, educational and workshop organizations comprise the "non-profit and other" contractor component. Domestic contractors performing work outside the continental United States (OCNUS) and foreign contractors are represented by the "foreign and OCNUS" component under Contractor Type.

Exhibit 4

### Acquisition Profile for the Defense Logistics Agency FY 1996



Source: FPDC and INPUT



## Top Contractors and Obligations by State

A list of the top IT contractors with the Defense Logistics Agency is provided in Exhibit 5. Exhibit 6 lists the top 20 states of performance for the agency's IT obligations. Contract obligations are the government's intent to purchase, and while not necessarily spent, they do reflect actual spending trends. This data is based on obligations reported to the Federal Procurement Data Center (FPDC) at GSA for contract actions dated between October 1, 1996 and September 30, 1997.

### Exhibit 5

## Top Contractors at DLA FY 1997

1. BTG
2. NCI
3. Litton/PRC
4. Battelle
5. Booz-Allen & Hamilton
6. Memorex Telex Corporation
7. IIT Research
8. Oracle Corporation
9. BETAC
10. Lockheed Martin

Source: FPDC and INPUT

### Exhibit 6

## Top DLA Obligations by State FY 1997

State	IT Obligations	State	IT Obligations
1. Virginia	\$105,713	11. Pennsylvania	\$3,395
2. Ohio	30,588	12. Utah	3,265
3. Maryland	13,525	13. Oklahoma	2,521
4. California	11,574	14. Massachusetts	2,429
5. Texas	9,493	15. Florida	2,394
6. New York	9,215	16. Colorado	2,368
7. Illinois	4,995	17. Michigan	2,303
8. Hawaii	4,364	18. New Jersey	1,864
9. Washington	4,092	19. Minnesota	1,841
10. Georgia	3,790	20. Washington, D.C.	1,707

All figures in \$ Thousands

Source: FPDC and INPUT

## Major Contracts

Exhibit 7 provides a brief overview of the major active IT contracts at the Defense Logistics Agency. INPUT speculates increased use of agency and interagency

IDIQ contracts in response to the simplification of regulations governing the purchase of commercial items. This information is taken from INPUT's IMPACT database of active and awarded IT programs.

Exhibit 7

### Major Contracts at the Defense Logistics Agency

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
DLSC Modernization and the Integrated Data System (DIDS)	Software Products Firm Fixed Price, IDIQ	\$ 61 M 12 years	Northrop Grumman provides for the acquisition of an on-line, transaction-driven integrated hardware and software capability. The acquisition will replace the entire computer system at the Defense Logistics Services Center (DLSC) in Battle Creek, Michigan. Awarded in December, 1990
Defense Automatic Addressing System ADPE Replacement Program (DARP)	Computer Equipment Firm Fixed Price, IDIQ	\$ 9.2 M 10 years	IBM provides replacements, upgrades and architectural system redesign of the Defense Automatic Addressing System (DAAS). The replacement and redesign efforts will affect DLA installations at Gentile AF Station in Dayton, OH, and the Defense Depot site in Tracy, CA. Awarded in September, 1992
Support Services for the Distribution Standard System (DSS)	Systems Integration Time And Materials	\$ 11.5 M 5 years	The Defense Logistics Agency (DLA) has a requirement to modernize and consolidate the Department of Defense's Defense Distribution Depots. Pinkerton Computer Consultants is fulfilling this requirement. Awarded in July, 1995
Design System Engineering Technical Services (DSETS)	Professional Services Firm Fixed Price, IDIQ	\$ 180 M 5 years	EDS, Litton/PRC, Lockheed Martin and SAIC will provide the Defense Logistics Agency (DLA) with Designed System Engineering Technical Services (DSETS). Awarded in August, 1997



## Major Contracts at the Defense Logistics Agency (cont.)

Digital Imaging Network - Picture Archiving And Communications Systems (DIN-PACS)	Network/Telcom Services  Firm Fixed Price, IDIQ	\$ 350 M 5 years	AGFA and IBM satisfy the Defense Personnel Support Center (DPSC) of the Defense Logistics Agency (DLA) requirement for a digital imaging network - picture archiving and communications systems (DIN-PACS). Awarded in November, 1997
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Source: INPUT

## Issues at the Defense Logistics Agency

1. A decision to merge the Defense Logistic Agency's two defense distribution regions into a single Defense Distribution Center has proven controversial. The selection of the New Cumberland, PA. Location over San Joaquin County, CA. has produced protests from California Representatives and a GAO report issued in February 1998 cited serious problems with the way the military chose the Pennsylvania location. After a review, the DLA affirmed its decision as appropriate. A final decision will be made by the Undersecretary of Defense for Acquisitions and Technology.

2. Recent disclosures of exorbitant prices paid for small parts by the Defense Logistics Agency have resulted in audits by the Inspector General of the Defense Department and investigation by the General Accounting Office. The Inspector General's report noted that all of the audited transactions involved were sole-source procurements and concluded that none of the parts should have been procured on a sole-source basis. Also mentioned was a failure to aggressively pursue discount prices and failure to

obtain cost or pricing data to determine the reasonableness of the prices. Under current procedures, manufacturers are no longer required to justify costs for products categorized as commercial.

The Undersecretary of Defense for Acquisitions and Technology has replied that the few items in the news represented isolated and rare cases and that new procurement procedures have been very successful overall in producing cost savings.

## On-Line Information Resources

DLA information technology acquisition information can be accessed at <http://www.cio.dla.mil/initiatives.htm>.

## Major Points of Contact

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- Software and Services Vendors
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  - ⇒ Market Forecasts
  - ⇒ Agency Profiles
  - ⇒ Procurement Analysis (PAR)
  - ⇒ Awards (FAIT)

### CUSTOM PROJECTS

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  - Market strategies and tactics
  - Product/service opportunities
  - Customer satisfaction levels
  - Competitive positioning
  - Acquisition targets
- For Buyers - Evaluate:
  - Specific vendor capabilities
  - Outsourcing options
  - Systems plans
  - Peer position

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# Agency Profile

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## Department of Transportation

### Purpose

The Department of Transportation (DOT) is responsible for establishing the nation's overall transportation policy. Through its various administrations, the department has jurisdiction principally in highway planning and construction, urban mass

transit, railroads, aviation and the safety of waterways, ports, highways and oil and gas pipelines.

### Organization

The Department of Transportation was established by Act of October 15, 1966, as amended (49 U.S.C. 102), and became operational in April 1967.

The Department is administered by the Secretary of Transportation, appointed by the President with the advice and consent of the Senate, who is the principal advisor to the President in all matters relating to federal transportation programs. The Secretary is aided by the Deputy Secretary of Transportation, the Associate Deputy Secretary and five Assistant Secretaries, among others. The Assistant Secretaries serve as the "corporate board" of key advisors to the Secretary of Transportation. In conjunction with DOT's several Directors and Chairpersons, they also oversee the daily activities and programs of the Department's various staff offices.

The Department's jurisdiction in transportation policy and its execution is divided among ten operating administrations. While their authority is

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highly decentralized, the heads of the various administrations report directly to the Secretary of Transportation and assist in advising on policy and issues as it pertains to their respective functions.

DOT employs approximately 63,180 people nationwide, a number not significantly changed from this time last year. Slightly less than 16% of Transportation's employees are located in the Washington, DC area. The functions of DOT are carried out at its Washington, DC headquarters and at the various headquarters and regional offices of its operating administrations.

The organizational structure of the Department of Transportation is presented in Exhibit 1.

Exhibit 1

**Department of Transportation  
Organization**

Secretary of Transportation

Deputy Secretary of Transportation

**Secretariat:**

- Associate Deputy Secretary
- Assistant Secretary for Transportation Policy
- Assistant Secretary for Aviation and International Affairs
- Assistant Secretary for Budget and Programs and Chief Financial Officer
- Assistant Secretary for Governmental Affairs
- Assistant Secretary for Administration
- General Counsel
- Office of Inspector General

**Staff Offices:**

- Office of Intermodalism
- Office of Civil Rights
- Office of Small and Disadvantaged Business Utilization
- Office of Intelligence and Security
- Office of Public Affairs
- Executive Secretariat
- Board of Contract Appeals

**Operating Administrations:**

- U.S. Coast Guard
- Federal Aviation Administration
- Federal Highway Administration
- Federal Railroad Administration
- Federal Transit Administration
- National Highway Traffic Safety Administration
- Maritime Administration
- Research and Special Programs Administration
- Bureau of Transportation Statistics
- Saint Lawrence Seaway Development Corporation

*Source: U.S. Government Manual 1998*



Below are the 10 operating administrations within the Department of Transportation and a brief description of their respective functions:

*a. U.S. Coast Guard*

The U.S. Coast Guard (USCG), established in 1915, is the primary federal administration with maritime authority for the United States. For the high seas and waters subject to the jurisdiction of the U.S., the Coast Guard enforces or assists in the enforcement of all applicable federal laws; administers, promulgates and enforces regulations and laws for the promotion of safety; develops, operates and maintains aids to maritime navigation, ice breaking facilities, oceanographic research and rescue facilities; and maintains a coordinated environmental program and a comprehensive ports and waterways system.

As a branch of the Armed Forces, the Coast Guard maintains a state of readiness to function as a part of the Navy in time of war or under Presidential directive.

*b. Federal Aviation Administration*

The Federal Aviation Administration (FAA), created by the Federal Aviation Act of 1958, is the primary operating division within DOT responsible for regulating domestic air commerce and controlling the civilian and military use of navigable airspace within the United States to promote safety and efficiency. It is further responsible for promoting civil aeronautics and research and development with respect to air navigation. The FAA operates a common system of air traffic control and navigation for civilian and military aircraft. Furthermore, it develops and implements regulations and programs to minimize the environmental effects of civil aviation.

*c. Federal Highway Administration*

The Federal Highway Administration (FHWA) administers the highway

transportation programs of the Department of Transportation, including the Federal-Aid Highway Program, various highway safety and motor carrier programs, the Federal Lands Highway Program and numerous research and development programs. The administration encompasses highway transportation in its broadest scope, seeking to coordinate highways with other modes of transit to achieve effective transportation systems and facilities.

*d. Federal Railroad Administration*

The primary purpose of the Federal Railroad Administration is to promulgate and enforce rail safety regulations. To this end, the administration manages railroad financial assistance programs, conducts research and development in support of improved railroad safety and national rail transportation policy, provides for the rehabilitation of Northeast Corridor rail passenger service and consolidates government support of rail transportation activities.

*e. Federal Transit Administration*

The Federal Transit Administration, formerly the Urban Mass Transportation Administration, assists in the development of improved mass transportation facilities, equipment, techniques and methods with the cooperation of public and private mass transportation companies. The administration encourages the planning and establishment of urban mass transportation systems needed for economical urban development. It also provides financial and technical assistance to state and local governments to implement regional transportation systems that comply with federal goals and standards.

*f. National Highway Traffic Safety Administration*

The administration (NHTSA), established by the Highway Safety Act of 1970, carries out DOT programs relating to the safety



performance of motor vehicles and related equipment, motor vehicle drivers, occupants and pedestrians and a uniform nationwide speed limit. The administration also conducts studies aimed at reducing economic losses in motor vehicle crashes and repairs through general motor vehicle programs, administers the federal odometer law, issues theft prevention standards and promulgates average fuel economy standards for all motor vehicles.

*g. Maritime Administration*

The Maritime Administration was established in 1950 and was transferred to the Department of Transportation in 1981. It administers programs to aid in the development, promotion and operation of the U.S. Merchant Marine, and it is charged with organizing and directing emergency merchant ship operations. The Maritime Administration also administers subsidy programs through the Maritime Subsidy Board, under which the federal government pays specified costs of constructing and operating ships for services deemed essential.

*h. Research and Special Programs Administration*

Established in 1977, the Research and Special Programs Administration (RSPA) is responsible for hazardous materials transportation and pipeline safety, transportation emergency preparedness, safety training, transit research and development activities and the collection and dissemination of air carrier economic data. RSPA conducts its activities primarily through the following offices:

- Office of Hazardous Materials Safety
- Office of Pipeline Safety
- Office of Research, Technology and Analysis
- Office of University Research and Education

- Office of Research Policy and Technology Transfer
- Transportation Safety Institute
- Office of Emergency Transportation
- Volpe National Transportation Systems Center

*i. Bureau of Transportation Statistics*

The Bureau of Transportation Statistics (BTS) was organized under the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 (49 U.S.C. 111) and was formally established by the Secretary of Transportation on December 16, 1992. BTS has an intermodal transportation focus whose purpose is to compile, analyze and make accessible information on the nation's transportation systems. It also enhances the quality and effectiveness of DOT's statistical programs through research, the development of guidelines and the promotion of improvements in data acquisition and use.

*j. Saint Lawrence Seaway Development Corporation*

The Saint Lawrence Seaway Development Corporation, a wholly government-owned enterprise created in 1954, is responsible for the development, operation and maintenance of the St. Lawrence Seaway between the port of Montreal and Lake Erie, within the territorial limits of the United States. It is the function of the Seaway Corporation to provide an effective channel of maritime commerce.

## Program Activities

In addition to the functions performed by the agency's individual administrations, the Department of Transportation conducts several activities through staff and secretariat offices. Below are their primary functions:



#### *a. Intermodalism*

DOT's Office of Intermodalism provides departmental leadership and coordination in developing national and regional transportation solutions through multiple transit means. The office develops, maintains and disseminates intermodal transportation data through the Bureau of Transportation Statistics, and it provides technical assistance to states and metropolitan planning organizations. It also coordinates federal research on intermodal transportation and reviews state-generated intermodal management systems to ensure continued progress toward improving transportation.

#### *b. Transportation Policy*

The Assistant Secretary for Transportation Policy is the principal policy official for the analysis, development, articulation and review of policies and plans for all modes of transportation. Through the Assistant Secretary, DOT develops and evaluates public policy related to transportation industries and maintains economic oversight of regulatory programs and legislative initiatives. It also provides policy leadership and coordination on safety, energy and environmental initiatives which affect air, surface, marine and pipeline transportation. Finally, the Assistant Secretary leads financing initiatives of transportation projects and provides economic analyses of new transportation technologies.

#### *c. Aviation and International Affairs*

The Assistant Secretary for Aviation and International Affairs is the principal official for the development, review and coordination of policy for international transportation. The Assistant Secretary coordinates and carries out U.S. government policy relating to the economic regulation of the airline industry and develops policies on a wide range of international transportation and trade

matters. Through the Assistant Secretary, DOT offers guidance to the United States Trade Representative's (USTR) Trade Policy Committee in efforts to improve the U.S. balance of payments, and it provides assistance to the Agency for International Development's (AID) transportation programs in developing countries.

#### *d. Civil Rights*

The Director of the Office of Civil Rights is the principal advisor to the Secretary on civil rights and equal opportunity matters. The Director also acts for and represents the Secretary in implementing civil rights and equal opportunity precepts within the department and in all of its services rendered to the public. The Director is responsible for adjudicating appeals and other dispositions relating to denials of disadvantaged business certification by a transportation financial assistance recipient.

#### *e. Small and Disadvantaged Business Utilization*

The Office of Small and Disadvantaged Business Utilization, established in July 1980, is responsible for developing policies and procedures consistent with federal statutes for the participation of minority, women-owned and small and disadvantaged businesses in the department's procurement and federal financial assistance activities. To this end, the office operates the Minority Business Resource Center, which coordinates financial and technical assistance programs for such businesses. The office is also responsible for setting DOT's goals for small and disadvantaged businesses, which includes monitoring and evaluating the accomplishments of these goals.

#### *f. Contract Appeals*

The Department of Transportation Board of Contract Appeals conducts hearings and issues final decisions in appeals from



contracting officer decisions under contracts awarded by the department and its constituent administrations.

## Program Budget

With only minor exceptions, federal funding for the Department of Transportation is expected to remain relatively constant over the next five years, from \$8.6 billion in FY 1996 to \$13.9 billion in FY 2002. The only Exhibit 2

significant exception is the Federal Aviation Administration which is expected to experience major growth in FY 1999.

The program budget for the Department of Transportation is presented in Exhibit 2. These figures represent net federal funds but do not account for offsetting collections or changes in orders on hand from federal sources, where applicable.

### Program Budget of the Department of Transportation

Program Accounts	Budget Authority by FY in \$ Millions						
	1996	1997	1998	1999	2000	2001	2002
Office of the Secretary	\$158	\$151	\$134	\$134	\$134	\$134	\$134
Coast Guard	3,568	3,683	3,778	3,808	3,842	3,878	3,914
Federal Aviation Administration	2,420	3,181	1,961	8,684	8,912	9,149	9,392
Federal Highway Administration	N/A	150	N/A	N/A	N/A	N/A	N/A
National Highway Traffic Safety Administration	72	81	N/A	N/A	N/A	N/A	N/A
Federal Railroad Administration	863	1,027	118	129	129	129	129
Federal Transit Administration	1,275	823	N/A	N/A	N/A	N/A	N/A
Saint Lawrence Seaway Development Corporation	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Research and Special Programs Administration	59	66	68	68	68	68	68
Office of the Inspector General	39	38	41	41	41	41	41
Surface Transportation Board	16	12	N/A	N/A	N/A	N/A	N/A
Bureau of Transportation Statistics	2	N/A	N/A	N/A	N/A	N/A	N/A
Maritime Administration	169	185	191	232	235	238	238
<b>Total Program Budget</b>	<b>8,641</b>	<b>9,397</b>	<b>6,291</b>	<b>13,096</b>	<b>13,361</b>	<b>13,637</b>	<b>13,916</b>

Source: Budget of the United States Government FY1998, February 6, 1997

## Information Technology Budget

Total spending on information technology (IT) at the Department of Transportation is projected to increase from \$1.7 billion in FY 1997 to \$2.4 billion in FY 2002 at a CAGR of 6.5%. This moderate growth will be primarily driven by the strong anticipated markets for capital purchases

of software (7.8% CAGR) and support services (9% CAGR). The department's total addressable budget is expected to increase steadily from \$1.6 billion in FY 1997 to \$2.3 billion in FY 2002, its growth reinforced by the continuing decline in personnel funds.



The information technology budget of the Department of Transportation is provided in Exhibit 3. Figures are rounded to the

nearest million and may account for subtotal discrepancies.

Exhibit 3

### Information Technology Budget of the Department of Transportation

Category	Spending in Obligations by FY in \$ Millions						CAGR 1997- 2002
	1997	1998	1999	2000	2001	2002	
<b>Equipment:</b>							
Capital Purchases	\$412	\$448	\$470	\$499	\$534	\$576	6.9%
Other Purchases and Leases	159	165	173	183	196	212	5.9%
<b>Total Equipment</b>	<b>572</b>	<b>613</b>	<b>643</b>	<b>682</b>	<b>730</b>	<b>788</b>	<b>6.6%</b>
<b>Software:</b>							
Capital Purchases	420	441	472	510	556	611	7.8%
Other Purchases and Leases	47	50	53	57	63	69	8%
<b>Total Software</b>	<b>467</b>	<b>491</b>	<b>525</b>	<b>567</b>	<b>618</b>	<b>680</b>	<b>7.8%</b>
<b>Services (Processing and Telecom.)</b>	<b>354</b>	<b>362</b>	<b>380</b>	<b>402</b>	<b>431</b>	<b>465</b>	<b>5.6%</b>
<b>Support Services</b>	<b>229</b>	<b>235</b>	<b>257</b>	<b>282</b>	<b>313</b>	<b>351</b>	<b>9%</b>
<b>Contracted Out Portion of IT Budget</b>	<b>1,621</b>	<b>1,701</b>	<b>1,805</b>	<b>1,934</b>	<b>2,092</b>	<b>2,284</b>	<b>7.1%</b>
<b>Supplies</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>25</b>	<b>27</b>	<b>4.8%</b>
<b>Personnel</b>	<b>83</b>	<b>84</b>	<b>79</b>	<b>73</b>	<b>66</b>	<b>58</b>	<b>-7.1%</b>
<b>Total IT Budget</b>	<b>1,726</b>	<b>1,806</b>	<b>1,906</b>	<b>2,030</b>	<b>2,182</b>	<b>2,369</b>	<b>6.5%</b>

Source: Department of Transportation and INPUT

## IT Contract Opportunities

The major Department of Transportation acquisitions summarized below are currently active:

*a. Aeronautical Data Link Support Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA) intends to acquire technical, engineering and management assistance services in support of the Aeronautical Data Link (ADL) Product Team (PT).

*b. Aeronautical Mobile Communication Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA) intends to acquire aeronautical mobile communication services (AMCS). The FAA also intends to acquire aeronautical fixed services.

*c. Broad Information Technology Services*

Type: IDIQ

The Federal Aviation Administration (FAA) intends to acquire a broad range of information technology services.

*d. Center-TRACON Automation System - Deployment*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire services to support the deployment and maintenance of the Center-TRACON Automation System (CTAS) hardware system.

*e. Communications, Navigation and Surveillance Systems*

Type: Task Order, IDIQ

The Department of Transportation Research and Special Projects Administration's (RSPA) Volpe National Transportation Systems Center intends to acquire continued communications,

navigation and surveillance systems (CNS) support services.

*f. Computer Training Facility Operation Support*

Type: Firm Fixed Price, CPAF

The Department of Transportation's (DOT) Transportation Administrative Service Center (TASC) intends to acquire operational support services for its computer training facility, at DOT headquarters.

*g. En Route Software Development and Support*

Type: Time and Materials

The Federal Aviation Administration (FAA) has continuing requirements for all the necessary qualified personnel, facilities, materials and services for software development and deployment support for the En Route subsystems within the National Airspace System (NAS).

*h. Engineering and Technical Support Services*

Type: Time & Materials

The U.S. Coast Guard (USCG) Maintenance and Logistics Command Atlantic (MLCLANT), Norfolk, VA, intends to acquire engineering and technical services in support of USCG Shore Facilities, USCG vessels or other worldwide government activities, on an as-needed basis.

*i. Engineering Maintenance and Planning Support*

Type: Cost Plus Fixed Fee

The Department of Transportation, Research and Special Programs Administration's (RSPA) Volpe National Transportation Systems Center (VNTSC) intends to acquire engineering, maintenance and planning support services.



*j. FAA Integrated Communications Systems for the 21st Century*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire integrated communications systems to replace its current owned and leased communications systems for the 21st century.

*k. FAA Shared Network*

Type: Firm Fixed Price, IDIQ

The Federal Aviation Administration (FAA) is recompeting the current Agency Telecommunications Network 2000 (ADTN 2000) to provide the FAA and U.S. Coast Guard (USCG) with wide area network (WAN) services.

*l. FIP Services for the Maritime Administration*

Type: Cost Plus Award Fee

The Department of Transportation's Maritime Administration (MARAD) intends to acquire federal information processing (FIP) facility management support services.

*m. Flight 2000*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire services in support of the Flight 2000 program.

*n. Human Resources Information System*

Type: TBD

The U.S. Coast Guard (USCG) is contemplating the acquisition of a human resources information system to support the civilian personnel and payroll system for the entire Department of Transportation.

*o. Information Technology and Automated Systems Support for the Office of The Associate Administrator for Administration*

Type: IDIQ

The Federal Aviation Administration (FAA) intends to acquire LAN and end user support services for the Office of the Associate Administrator for Administration (AAD), in the metropolitan Washington, DC area.

*p. Information Technology Omnibus Procurement II*

Type: Firm Fixed Price, IDIQ

The Department of Transportation (DOT), Transportation Administrative Service Center (TASC) intends to acquire continued support services related to Information Resource Management (IRM). This opportunity is a follow-on to the Information Technology Omnibus Procurement (ITOP) contracts.

*q. Information Technology Support Services Recompete*

Type: Cost Plus Award Fee

The Federal Highway Administration (FHWA) intends to acquire continued information technology support services.

*r. Intelligent Transportation System Human Factors Program Support Services*

Type: Cost Plus Fixed Fee

The Federal Highway Administration (FHWA) intends to acquire support services for the Intelligent Transportation System's (ITS) Human Factors Program.

*s. ITS Program Assessment Support*

Type: Cost Plus Fixed Fee

The Federal Highway Administration (FHWA) has a requirement for program assessment support for the Intelligent Transportation System (ITS).

*t. Logistics Information Processing Support Services*

Type: Cost Plus Fixed Fee

The Federal Aviation Administration (FAA), Central Region intends to acquire logistics information processing support services for the FAA Headquarters in Washington, DC and at the Mike Monroney Aeronautical Center, Oklahoma City, OK.

*u. Multi-Support Contractor Services*

Type: Firm Fixed Price, IDIQ

The Department of Transportation (DOT) Transportation Administration Service Center (TASC) intends to acquire services in support of various business practices.

*v. NAS Support Services*

Type: Labor Hour, Task Order, IDIQ

The Federal Aviation Administration's (FAA) Office of System Capacity intends to acquire services in support of the National Airspace System (NAS).

*w. National Driver Register*

Type: Firm Fixed Price, IDIQ

The National Highway Traffic Safety Administration (NHTSA) is recompeting its contract to provide timesharing services to support the National Driver Register (NDR).

*x. Operations Research and Analysis*

Type: Task Order, IDIQ

The Department of Transportation Research and Special Projects Administration's (RSPA) Volpe National Transportation Systems Center intends to acquire continued operations, research and analysis (ORA) support services.

*y. Standard Workstation IV Contract*

Type: Firm Fixed Price, IDIQ

The U.S. Coast Guard (USCG) plans to recompete its Standard Workstation Contract (PAR VII-11-050).

*z. Technical and Administrative Support*

OTA Technology Transfer Program

Type: Cost Plus Fixed Fee

The Federal Highway Administration (FHWA) intends to acquire administrative, technical and program support to the Office of Technology Applications (OTA) to accelerate the testing and evaluation of new technologies.

*aa. Technical and Administrative Support Services*

Type: Labor Hour, IDIQ

The Federal Aviation Administration (FAA) intends to acquire technical and administrative services in support of the Office of Business Information and Consultation (ABC).

*bb. Technical Management and Administrative Support*

Type: Labor Hour, FFP

The Federal Aviation Administration (FAA) intends to acquire technical, management and administrative support services.

*cc. Traffic Flow Management - Infrastructure*

Type: Time and Material, FFP

The Federal Aviation Administration (FAA) intends to acquire hardware and software leasing, installation and maintenance services to support the FAA traffic flow management infrastructure (TFM-I) sites.

*dd. Voice Switching and Control Subsystem Upgrade*

Type: TBD

The Federal Aviation Administration (FAA) intends to acquire upgrade and replacement of the voice switching and control system (VSCS) to control



subsystem hardware and software in support of the Air Traffic Automation Office.

*ee. Year 2000 Compliance*

Type: Time and Materials

The U.S. Coast Guard's (USCG) Aircraft Repair and Supply Center intends to acquire year 2000 (Y2K) compliance services.

## DoT Acquisition Profile

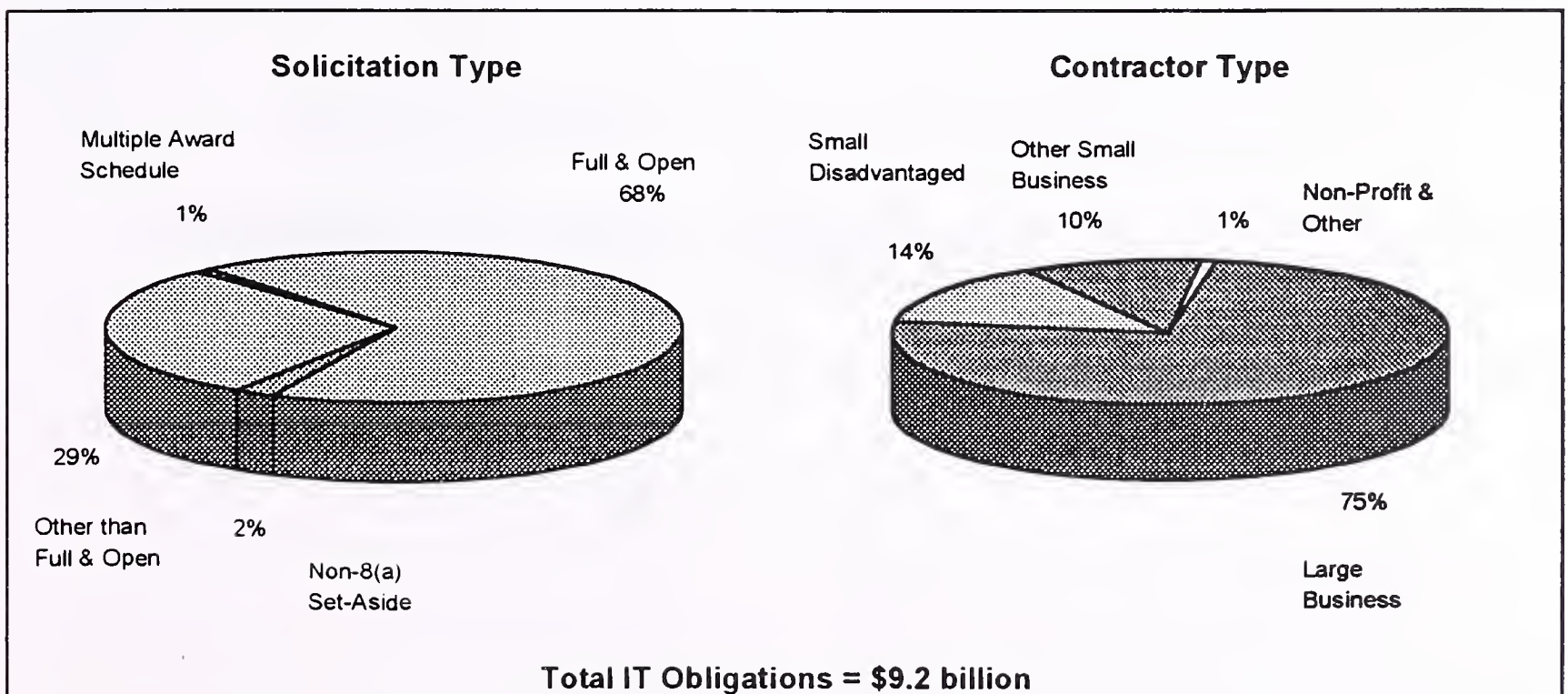
Exhibit 4 provides a graphical summary of the procurement vehicles used by the

Exhibit 4

Department of Transportation to acquire its IT products and services, as well as the type of contractor providing them. These figures reflect shares of the total information technology contract dollars obligated by the agency during FY 1996.

"Other than full and open" competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases. Non-profit, educational and workshop organizations comprise the "non-profit and other" contractor component.

### Acquisition Profile for the Department of Transportation FY 1997



Source: FPDC and INPUT

## Top Contractors and Obligations by State

A list of the top IT contractors with the Department of Transportation is provided in Exhibit 5. Exhibit 6 lists the top 20 states of performance for the agency's IT obligations. Contract obligations are the

government's intent to purchase, and while not necessarily spent, they do reflect actual spending trends. This data is based on obligations reported to the Federal Procurement Data Center (FPDC) at GSA for contract actions dated between October 1, 1996 and September 30, 1997.

Exhibit 5

### Top Contractors at DoT FY 1997

1. IBM
2. Raytheon/E-Systems
3. Harris
4. Unisys
5. Mitre
6. TRW
7. Northrop Grumman
8. GE Aerospace
9. Lockheed Martin
10. Hughes Aircraft Co.

Source: FPDC and INPUT

Exhibit 6

### Top Department of Transportation Obligations by State FY 1997

State	IT Obligations	State	IT Obligations
1. Maryland	\$2,547,320	11. Pennsylvania	\$104,102
2. Virginia	1,471,476	12. New York	101,224
3. Washington, D.C.	1,412,184	13. Missouri	89,908
4. Massachusetts	988,464	14. Alaska	89,466
5. Florida	790,589	15. North Carolina	71,954
6. California	448,640	16. Ohio	53,252
7. Texas	243,247	17. Kansas	45,319
8. New Jersey	221,670	18. Georgia	43,378
9. Oklahoma	217,597	19. West Virginia	34,112
10. Minnesota	144,221	20. Connecticut	32,690

All figures in \$ Thousands

Source: FPDC and INPUT



## Major Contracts

Exhibit 7 provides a brief overview of the major active IT contracts at the Department of Transportation. Currently, the agency has eight major indefinite delivery, indefinite quantity (IDIQ) contract vehicles in place, which have a

combined potential life-time value of \$1.5 billion. INPUT speculates increased use of agency and interagency IDIQ contracts in response to the simplification of regulations governing the purchase of commercial items. This information is taken from INPUT's IMPACT database of active and awarded IT programs.

Exhibit 7

### Major Contracts at the Department of Transportation

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
FAA Information Technology Operations Support	Professional Services Firm Fixed Price, IDIQ	\$ 45 M 5 years	Kenrob & Associates provides the Federal Aviation Administration (FAA) information technology (IT) operational support services. Awarded in February, 1997
Software Maintenance and Software Engineering Support Services	Software Maintenance Firm Fixed Price	\$ 500 M 5 years	The Federal Aviation Administration (FAA) is acquiring software maintenance and software engineering support services from Lockheed Martin. Awarded in April, 1997
National Infrastructure Management System (NIMS)	Professional Services Firm Fixed Price, IDIQ	\$ 100 M 5 years	Hughes will fulfill the Department of Transportation's Federal Aviation Administration (FAA) requirement for a National Infrastructure Management System (NIMS). Awarded in April, 1997
Acquisition Management System Independent Evaluation	Professional Services Firm Fixed Price	\$ .7 M 4 years	The Federal Aviation Administration (FAA) is acquiring independent evaluation services of their acquisition management system (AMS) from PeopleSoft. Awarded in May, 1997

## Major Contracts at the Department of Transportation (cont.)

Integrated Computing Environment - Mainframe and Networking (ICEMAN)	Outsourcing	\$ 250 M	The Department of Agriculture provides the Federal Aviation Administration (FAA) with data processing services in a follow-on effort to the Computer Resources Nucleus (CORN) contract. Awarded in May, 1997
Aviation Logistics Management Information System II (ALMIS II)	Professional Services Firm Fixed Price, IDIQ	\$ 19 M 5 years	Technical and Management Services Corp. (TAMSCO) provides preliminary logistical and management support to integrate the Coast Guard's Aviation Computerized Maintenance System (ACMS) and the Aviation Maintenance Management System (AMMIS) for agency-wide flight operations coordination and support. Awarded in May, 1997
Information Resources Management Technical Support Services	Professional Services Level Of Effort	\$ 14 M 5 years	The U.S. Coast Guard (USCG) has a contract with Centech Group Inc. for information resource management (IRM) technical support services. Awarded in August, 1997
FSAS Operational and Supportability Implementation System (OASIS)	Computer Equipment Cost Plus Incentive Fee	\$ 111 M 3 years	Harris is providing upgrade to the FAA's Flight Service Automation System (FSAS) Automated Flight Service Station (AFSS) equipment. Awarded in August, 1997
ACQUIRE System (ACQUIRE)	Software Products Firm Fixed Price, IDIQ	\$ 55 M 5 years	The Federal Aviation Administration (FAA) has a contract with Oracle Corporation for a commercial off-the-shelf (COTS) automated procurement system (ACQUIRE system). Awarded in August, 1997



## Major Contracts at the Department of Transportation (cont.)

Volpe Programmatic Technical Support in Information Systems Services (TSS)	Professional Services Cost Plus Fixed Fee	\$ 171 M 5 years	The Department of Transportation's Research and Special Projects Administration (RSPA) has a contract with CSC for information systems programmatic technical support services for its Volpe National Transportation Systems Center (VNTSC) located in Cambridge, Massachusetts. Awarded in September, 1997
Programmatic Technical Support in Operations Research Analysis (ORA)	Professional Services Cost Plus Fixed Fee	\$ 39 M 5 years	EG&G provides the Department of Transportation's Research and Special Projects Administration (RSPA) with programmatic technical support services in operations, research and analysis for its Volpe National Transportation Systems Center (VNTSC) located in Cambridge, Massachusetts. Awarded in September, 1997
Information Technology System Support Services	Professional Services IDIQ	\$ 10 M 5 years	RGII Technologies satisfies the U.S. Coast Guard (USCG) requirement for information technology system support services. Awarded in September, 1997
Telecommunications Implementation Support Services	Network/ Telcom Services Time And Materials	\$ 22 M 5 years	The Federal Aviation Administration (FAA) has a contract with Universal Technologies for telecommunications implementation support services for national airspace system (NAS) interfacility communication system. Awarded in September, 1997
Communications Navigation Surveillance and Air Traffic Management Systems (CNS/ATM)	Professional Services Task Order, FFP	\$ 10 M 5 years	The Federal Aviation Administration (FAA) has a contract with Stanford Telecommunications for technical services in support of communications, navigation, surveillance (CNS) and air traffic management (ATM) systems. Awarded in October, 1997

## Major Contracts at the Department of Transportation (cont.)

National Airspace System Implementation Support Contract II (NISC II)	Professional Services Cost Plus Award Fee	\$ 1.3 B 7 years	Lockheed Martin provides the Federal Aviation Administration (FAA) continued national airspace system (NAS) modernization support services through its NAS Implementation Support Contract II (NISC II). Awarded in November, 1997
Regional Tracking Program Oracle Support (RTP)	Professional Services Time & Materials	\$ 2.3 M 3 years	The Federal Aviation Administration (FAA) has a contract with Oracle for support services in support of the Regional Tracking Program (RTP). Awarded in December, 1997
Traffic Management Systems (TMS)	Professional Services Task Order, CPAF	\$ 6 M 5 years	Aviation Technology Systems satisfies the Federal Aviation Administration (FAA) requirements for a traffic management system (TMS) transition platform. Awarded in February, 1998
Traffic Alert and Collision Avoidance System II (TCAS II)	Professional Services Time And Materials	\$ 2,527 5 years	The Federal Aviation Administration (FAA) has a contract with TASC for technical, engineering and management support of the Traffic Alert and Collision Avoidance System (TCAS). Awarded in February, 1998
Ports and Waterways Safety System (PAWSS)	Software Products Task Order, FFP, IDIQ	\$ 10 M 7 years	Lockheed Martin is satisfying the US Coast Guard (USCG) requirements for a ports and waterways safety system (PAWSS) to provide navigation information to the maritime community. Awarded in April, 1998

Source: INPUT

## Issues at the Department of Transportation

1. The Department of Transportation was identified with those agencies "making insufficient progress" on the year 2000 problem by the OMB in its 4<sup>th</sup> quarterly report to Congress which summarizes agencies' progress in Year 2000

conversion. Slow progress by the FAA is especially troubling with the possibility of disruption of the air traffic control network. Concerns about the computers which operate the intelligent transportation systems have prompted the Department of Transportation to call a summit of state and local transportation officials, business leaders, transportation



technology suppliers, and others, to evaluate the Year 2000 problem's possible effects on ITS systems such as traffic signals, electronic tolls, and automatic vehicle locators. Another concern is the effect on airborne and waterborne commerce if international trading partners fail to act with a sense of urgency to correct computer coding in a timely manner.

2. The estimated cost of the Federal Aviation Administration's Wide Area Augmentation System (WAAS) has grown from an original estimate of \$638 million to an estimated \$3 billion. The system is designed to refine and use GPS signals to enable reliable en route navigation and precision landing approaches for civilian aircraft. The cost increases are attributed to underestimating the costs of testing and development, underestimating the number of satellites required, and technology upgrades to the system.

3. The Department of Transportation is preparing one of the largest governmentwide contracts available, a seven-year \$10 billion multiple-award services contract that will be open to agencies throughout the government. The Information Technology Omnibus Procurement-II (ITOP-II) is a follow-on to ITOP, a 2 year old contract which has reached its \$1.13 ordering ceiling. To encourage small business participation, the DOT will award a minimum of two 8(a) and two small-business subcontracts for each of the three functional areas of the program. The functional areas are: information systems engineering, systems operations and management, and information system security. Unlike

ITOP, contractors under ITOP-II will not be guaranteed at least \$3 million per year. The program is expected to have serious competition from other service contract vehicles.

## On-Line Information Resources

The Department of Transportation maintains a World Wide Web home page accessible at "<http://www.dot.gov>". Procurement information is available through links to the operating administrations of the DOT.

## Major Points of Contact

### Secretary of Transportation

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Washington, DC 20590  
(202) 366-1111

### Associate Deputy Secretary and Acting Chief Information Officer

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(202) 366-5781

### Director of Information Resource Management

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### Director of Acquisition and Grant Management

David J. Litman  
(202) 366-4263

### Director of Public Affairs

Steven J. Akey  
(202) 366-4570

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# Agency Profile

A Publication from INPUT's Electronic Government Program

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## Department of the Treasury

### Purpose

The Department of the Treasury is responsible for formulating and recommending economic, financial, tax and fiscal policies for the United States

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as well as a stable and prosperous World economy. The department also serves as financial agent for the U.S. government, and it enforces financial laws and manufactures coins and currency.

### Organization

The Treasury Department was created by Act of September 2, 1789 (31 U.S.C. 301 and 301 note). Subsequent acts have delegated additional duties to its charge and established the several bureaus and divisions that now comprise the Treasury.

The department is administered by the Secretary of the Treasury, appointed by the President with the advice and consent of the Senate, who serves as the Chief Financial Officer of the nation and advises the President in matters relating to international and domestic financial, economic and tax policy. The Secretary is aided by the Deputy Secretary, the Chief of Staff, three Under Secretaries, nine Assistant Secretaries, the Inspector General, General Counsel, Comptroller of the Currency and the Treasurer, among others. The Under and Assistant Secretaries serve as key advisors to the Secretary of the Treasury and have direct policy oversight of most of the department's bureaus.

Treasury's jurisdiction in financial, economic and tax policy and its enforcement is divided among 12 operating

bureaus. While their authority is highly decentralized, the Directors and Commissioners of the bureaus report to the Under and Assistant Secretaries and assist in advising on policy and issues as it pertains to their respective functions.

The Department of the Treasury is currently administered by Secretary Robert E. Rubin and employs approximately 146,000 people nationwide, a 6% reduction from approximately 156,000 people at this time last year. Slightly more than 15% of the department's employees are located in the Washington, DC area. The functions of the Department of the Treasury are carried out at its Washington, DC headquarters and at the various headquarters and regional offices of its operating bureaus.

## Program Activities

Below are the primary organizations within the Department of the Treasury and a brief description of their respective functions, which provide insight to the department's major program activities. The organizational structure is presented in Exhibit 1.

### ***a. Bureau of Alcohol, Tobacco and Firearms***

The Bureau of Alcohol, Tobacco and Firearms (ATF) was established on July 1, 1972, as the functions and powers relating to alcohol, tobacco, firearms and explosives were transferred from the Internal Revenue Service to the bureau. The bureau is responsible for enforcing and administering firearms and explosives laws, as well as those covering the production, taxation and distribution of alcohol and tobacco products. ATF's objectives are to maximize compliance with and investigate violations of these laws. To achieve these goals, the bureau is divided into two basic functions

— criminal enforcement and regulatory enforcement.

Exhibit 1

### Treasury Organization

Secretary of the Treasury

Deputy Secretary

#### Secretariat:

- Chief of Staff
- Under Secretary for International Affairs
- Under Secretary for Domestic Finance
- Under Secretary for Enforcement
- Assistant Secretary (International Affairs)
- Assistant Secretary (Public Affairs)
- Assistant Secretary (Economic Policy)
- Assistant Secretary (Financial Institutions)
- Assistant Secretary (Enforcement)
- Assistant Secretary (Tax Policy)
- Assistant Secretary (Legislative Affairs & Public Liaison)
- Assistant Secretary (Management) and Chief Financial Officer
- Fiscal Assistant Secretary
- Comptroller of the Currency
- Treasurer of the United States
- Inspector General
- General Counsel

#### Bureaus:

- Bureau of Alcohol, Tobacco and Firearms
- Bureau of the Public Debt
- Bureau of Engraving and Printing
- Federal Law Enforcement Training Center
- Financial Crimes Enforcement Network
- Financial Management Service
- Internal Revenue Service
- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- United States Mint
- United States Customs Service
- United States Secret Service

Source: U.S. Government Manual 1998



**b. Office of the Comptroller of the Currency**

The Office of the Comptroller of the Currency (OCC) was established as a bureau within the Department of the Treasury in February 1863. Headed by the Comptroller, who also serves a concurrent term as Director of the Federal Deposit Insurance Corporation (FDIC), the OCC regulates national banks by its power to examine banks, approve or deny applications for new bank charters or mergers, to take enforcement action against banks that are not in compliance with laws and regulations and to issue rules, regulations and interpretations on banking practices. OCC supervises approximately 3,300 national banks, including their trust activities and overseas operations.

**c. United States Customs Service**

The United States Customs Service (USCS) collects revenue from imports and enforces customs and related laws. The Customs Service also administers the Tariff Act of 1930, as amended (19 U.S.C. 1654). As the principal border enforcement agency, the mission of the Customs Service has been extended over the years to include assisting in the administration and enforcement of some 400 provisions of law on behalf of more than 40 government agencies. In addition, the USCS enforces a wide range of requirements to protect the public, such as auto safety and emission control standards, radiation and radioactive material standards, counterfeit monetary instruments, animal and plant quarantine requirements, as well as food, drug and hazardous substance prohibitions.

**d. Bureau of Engraving and Printing**

On a reimbursable basis, the bureau designs, prints and finishes all of the nation's paper currency, as well as U.S.

postage stamps, Treasury securities, certificates and other security products, including White House invitations and military identification cards. It is also responsible for advising and assisting federal agencies in the design and production of other government documents that require security or counterfeit-deterrence characteristics. The bureau is headquartered in Washington, DC and operates a second currency manufacturing plant in Fort Worth, Texas.

**e. Federal Law Enforcement Training Center**

The Federal Law Enforcement Training Center is an interagency training facility serving over 72 federal law enforcement organizations. The major training effort is in basic programs that teach common areas of law enforcement skills to police, investigative and enforcement personnel. The Center also conducts advanced programs in areas of common need, such as white-collar crime, the use of microcomputers as an investigative tool, advanced law enforcement photography, international banking/money laundering, marine law enforcement and several instructor training courses. The Center conducts its operations at training facilities in Glynnco, Georgia and Washington, DC, as well as a satellite operation located in Artesia, New Mexico.

**f. Financial Management Service**

The mission of the Financial Management Service (FMS) is to improve the overall quality of government financial management. It serves taxpayers, the Treasury Department, federal program agencies and government policy makers by linking program and financial management objectives and by providing financial services, information and advice to its



customers. More specifically, the FMS is responsible for all federal programs and activities involving working capital management and payments and collections, making substantial use and fostering the advancement of automation technologies to increase their effectiveness.

***g. Internal Revenue Service***

The Internal Revenue Service (IRS) is the primary federal agency responsible for collecting the proper amount of tax revenue at the least cost to the public. Additionally, it is responsible for administering and enforcing the internal revenue laws and related statutes, except those relating to alcohol, tobacco and firearms. IRS organization is designed for maximum decentralization, consistent with the need for uniform interpretation of the tax laws and efficient utilization of resources. Its three-tiered organization includes the National Office, the regional offices and the district offices, the service centers and the Austin Compliance Center.

***h. United States Mint***

The responsibility of the U.S. Mint is to produce an adequate volume of circulating coinage for the nation to conduct its trade and commerce. The bureau operates mints in Philadelphia, Pennsylvania, Denver, Colorado, San Francisco, California, West Point, New York and Fort Knox, Kentucky. The Fort Knox Bullion Depository serves as the primary storage facility for the nation's gold supply. The bureau also operates sales centers at the Philadelphia and Denver Mints and at Union Station in Washington, DC.

***i. Bureau of the Public Debt***

The primary responsibilities of the Bureau of the Public Debt are to borrow the money needed to operate the federal government, account for the resulting public debt and to issue Treasury securities to refund maturing debt and raise new money. The bureau fulfills its mission through several

programs, including commercial book-entry securities, direct access securities, savings securities, government securities, market regulation and public debt accounting. It also provides daily and other periodic reports to account for the composition and size of the national debt.

***j. United States Secret Service***

The U.S. Secret Service (USSS) is charged with protecting the life of the President and Vice President of the United States and their immediate families, former Presidents and their wives, heads of a foreign state or foreign government and, at the direction of the President, official representatives of the United States performing missions abroad. Furthermore, the Secret Service provides security at the White House complex, the Treasury Building and various foreign diplomatic missions in the Washington, DC area or in other designated areas. The Secret Service conducts investigations and is charged with the detection and arrest of persons committing any offense against the financial laws of the United States.

***k. Office of Thrift Supervision***

Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Congress gave the Office of Thrift Supervision (OTS) authority to charter federal thrift institutions and serve as the primary regulator of approximately 1,700 federal and state chartered thrifts belonging to the Savings Association Insurance Fund (SAIF). The office's mission is to regulate savings associations in order to maintain the safety and viability of the industry and to support industry's efforts to meet housing and other financial services needs.



## 1. Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is one of the primary agencies that establishes, oversees and implements Treasury's policies to prevent and detect money laundering. It provides analytical case support, through the use of state-of-the-art technology and intelligence analyses, to many federal agencies as well as state and local law enforcement organizations.

### Program Budget

Total federal funding for the Department of the Treasury is anticipated to grow 5.8% over the next five years, from an actual \$382.5 billion in 1997 to a projected \$404.8 billion in 2002. This increase in funding is primarily driven by funding for interest on

the public debt, which historically comprises 90% of Treasury's total program budget and is expected to grow 5% from 1997 to 2002. Strong growth in federal funds is also slated for the IRS, the largest agency beneficiary of Treasury's funds, rising 14% from \$30.9 billion in 1997 to \$36.2 billion in 2002. Likewise, most program accounts are anticipated to increase substantially, with the exceptions of funding for the Financial Management Service, the Office of the Comptroller of the Currency and the Office of Thrift Supervision — all expected to decline over the next several years. The program budget for the Department of the Treasury is presented in Exhibit 2. These figures represent total federal funds and do not account for intrafund transactions or proprietary receipts from the public, where applicable.

Exhibit 2

### Program Budget of the Department of the Treasury

Program Accounts	Budget Authority by FY in \$ Millions					
	1997	1998	1999	2000	2001	2002
Departmental Offices	\$532	\$580	\$598	\$625	\$681	\$807
Violent Crime Reduction Programs	84	118	133	133	133	133
Federal Law Enforcement Training Center	78	77	80	82	85	87
Interagency Law Enforcement	NA	73	71	71	71	71
Bureau of Alcohol, Tobacco and Firearms	698	782	727	744	755	782
Bureau of Engraving and Printing	606	581	601	661	688	721
Bureau of the Public Debt	302	311	311	311	311	311
Financial Management Service	5,770	5,774	5,877	6,007	6,188	6,402
Internal Revenue Service	30,947	32,699	33,589	34,186	35,166	36,215
Processing, Assistance and Management	1,871	2,990	2,990	2,997	3,009	3,022
Tax Law Enforcement	4,120	3,201	3,201	3,201	3,201	3,201
Information Systems	1,149	1,272	1,179	1,179	1,179	1,179
Information Technology Investments	NA	500	500	500	50	NA

Exhibit 2 continued

**Program Budget of the Department of the Treasury**

United States Customs Service	2,311	2,111	2,178	2,245	2,312	2,382
United States Secret Service	614	641	657	675	693	712
United States Mint	29	30	30	30	30	30
Comptroller of the Currency	375	362	362	362	362	362
Office of Thrift Supervision	145	139	139	139	139	139
Interest on the Public Debt	356,740	366,107	372,469	374,287	376,903	376,792

Source: Budget of the United States Government FY1998, February 6, 1997

**Information Technology Budget**

The Treasury's information technology (IT) budget is expected to experience a compound annual growth rate (CAGR) of 2.6% from 1997 to 2002. Notable growth in spending is anticipated for capital purchases of computer and peripheral equipment – a long-standing trend at the department with emphasis on automation and processing systems. Moderate growth in IT spending is expected in most categories, with the exception of capital purchases of software and spending on

personnel. Also of note is the contracted out portion of the department's information technology budget, which represented 60% of the total IT budget in 1997 and is expected to grow 8% annually to 77% of the total IT budget in 2002, from \$1 billion to \$1.5 billion, respectively.

The information technology budget of the Department of the Treasury is provided in Exhibit 3. Figures are rounded to the nearest million and may account for subtotal discrepancies.



## Exhibit 3

## Information Technology Budget of the Department of the Treasury

Category	Spending in Obligations by FY in \$ Millions						CAGR 1997- 2002
	1997	1998	1999	2000	2001	2002	
<b>Equipment:</b>							
Capital Purchases	\$136	\$176	\$185	\$196	\$209	\$226	11%
Other Purchases and Leases	16	22	24	25	27	29	13%
<b>Total Equipment</b>	<b>152</b>	<b>199</b>	<b>209</b>	<b>221</b>	<b>237</b>	<b>256</b>	<b>11%</b>
<b>Software:</b>							
Capital Purchases	40	48	51	55	60	66	10%
Other Purchases and Leases	5	5	5	6	6	7	6%
<b>Total Software</b>	<b>45</b>	<b>53</b>	<b>57</b>	<b>61</b>	<b>66</b>	<b>73</b>	<b>10%</b>
<b>Services (Processing and Telecom.)</b>	<b>503</b>	<b>495</b>	<b>520</b>	<b>551</b>	<b>589</b>	<b>637</b>	<b>5%</b>
<b>Support Services</b>	<b>310</b>	<b>340</b>	<b>370</b>	<b>407</b>	<b>452</b>	<b>507</b>	<b>10%</b>
<b>Contracted Out Portion of IT Budget</b>	<b>1011</b>	<b>1087</b>	<b>1156</b>	<b>1242</b>	<b>1346</b>	<b>1473</b>	<b>8%</b>
<b>Supplies</b>	<b>40</b>	<b>39</b>	<b>42</b>	<b>44</b>	<b>47</b>	<b>51</b>	<b>5%</b>
<b>Personnel</b>	<b>622</b>	<b>562</b>	<b>528</b>	<b>486</b>	<b>437</b>	<b>385</b>	<b>-9%</b>
<b>Total IT Budget</b>	<b>1674</b>	<b>1690</b>	<b>1727</b>	<b>1773</b>	<b>1831</b>	<b>1910</b>	<b>2.6%</b>

Source: Department of the Treasury and INPUT

## IT Contract Opportunities

The major Department of the Treasury acquisitions summarized below are currently active.

**a. ADP Repair Services**

Type: TBD

The Department of Treasury's Bureau of the Public Debt (BPD) intends to acquire ADP repair and maintenance services for member agencies of a Franchise Business Activity (FBA) nationwide.

**b. Programming and Analysis Support Services**

Type: Cost Plus Award Fee

The Department of Treasury's Bureau of Engraving and Printing (BEP) is expected to acquire follow-on on-site programming and analysis support services.

**c. Automated Commercial Environment Modernization**

Type: TBD

The Department of Treasury's US Customs Service (USCS) intends to acquire services to upgrade its automated commercial environment (ACE).

**d. Automated Orders Processing and Related Services**

Type: IDIQ

The Internal Revenue Service (IRS) is seeking sources to provide automated receipt/orders processing and related services to three IRS Distribution Centers.

***e. Benefits Line Software and Equipment***

Type: TBD

The Internal Revenue Service (IRS) is seeking information on sources to provide an Interactive Voice Response System (IVR).

***f. Information Retrieval Microfilming Imaging and Information Technology Support Services***

Type: Firm Fixed Price, IDIQ

The Bureau of Alcohol, Tobacco and Firearms' (ATF), National Tracing Center (NTC) intends to acquire services in support of the conversion of documents to microfilm and images and to prepare automated indexes.

***g. Computer Output Laser Disk Maintenance***

Type: Firm Fixed Price

The Department of Treasury's Bureau of the Public Debt (BPD) intends to acquire continued maintenance support services of the Computer Output Laser Disk (COLD) system.

***h. Consolidated Information Technology Equipment Maintenance***

Type: Firm Fixed Price, IDIQ

The US Customs Service (USCS) intends to acquire continued consolidated information technology (IT) equipment maintenance.

***i. Customs Off-site Processing and Analytical Support Services***

Type: Firm Fixed Price, IDIQ

The Department of the Treasury's US Customs Service (USCS) intends to

acquire data entry, processing and analytical support services at a nationwide contractor facility to be maintained by the contractor.

***j. Data Center Facilities Management Re compete***

Type: Firm Fixed Price

The US Secret Service has an ongoing requirement for facilities management of its data center.

***k. Electronic Tax Administration***

Type: Firm Fixed Price, IDIQ

The Internal Revenue Service (IRS) is seeking information on electronic tax administration capabilities.

***l. Financial Management Support Services***

Type: Firm Fixed Price, IDIQ

The Treasury Department's Financial Management Service (FMS) intends to acquire financial management and related federal information technology (IT) support services.

***m. Information Engineering***

Type: Firm Fixed Price, IDIQ

The US Customs Service (USCS) intends to acquire information engineering (IE) and business process improvement/reengineering (BPR) support services.

***n. Software Development Support Services***

Type: Labor Hour

The Department of Treasury's Bureau of Alcohol, Tobacco and Firearms (ATF) intends to acquire software development and support services for the Information Systems Division (ISD), at ATF headquarters in Washington, DC.



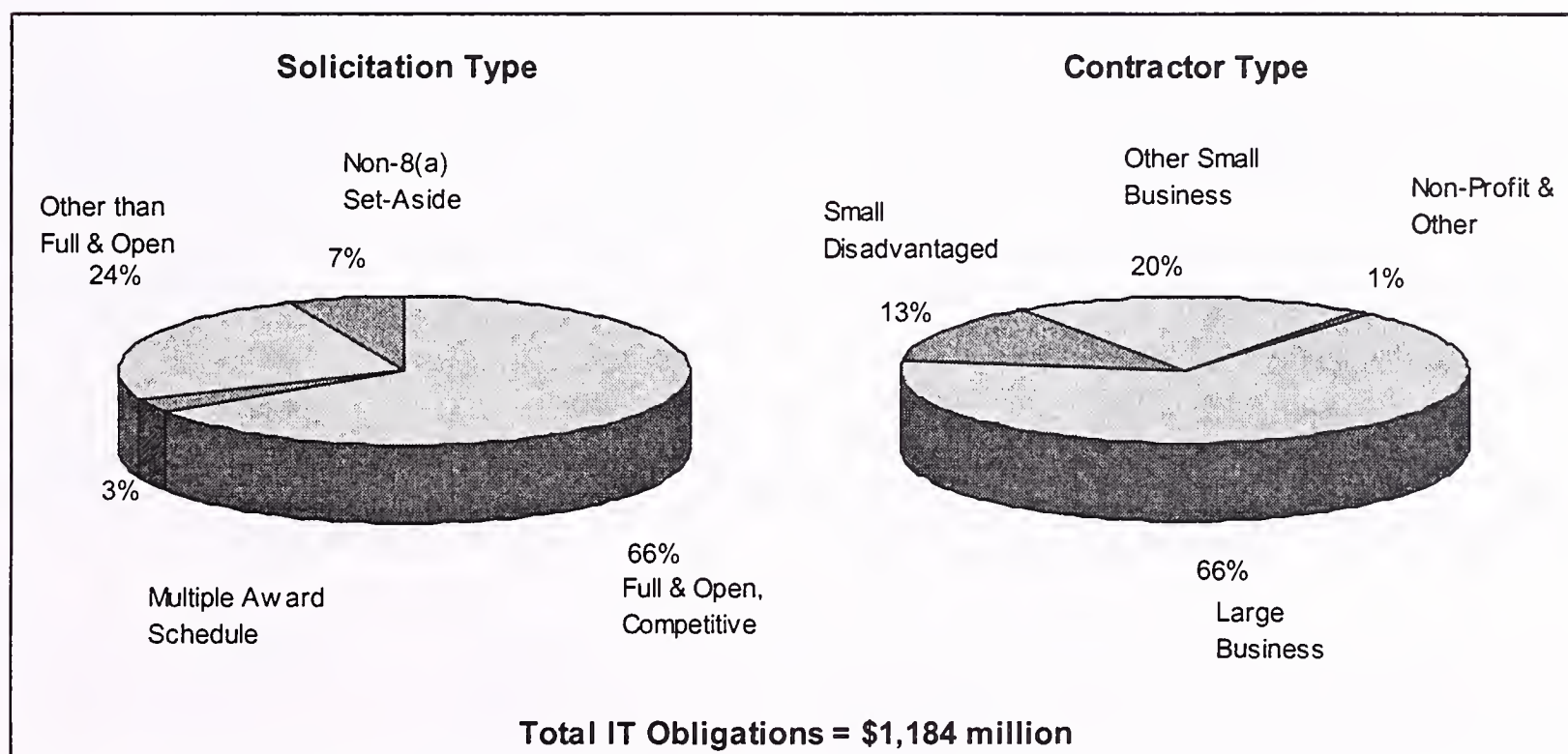
## Treasury Acquisition Profile

Exhibit 5 provides a graphical summary of the procurement vehicles used by the Department of the Treasury to acquire its IT products and services, as well as the type of contractor providing them. These figures reflect shares of the total information technology contract dollars obligated by the agency in FY 1997.

“Other than full and open” competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases. Non-profit, educational, sheltered workshop and foreign organizations, as well as state and local governments, comprise the “non-profit and other” contractor component.

Exhibit 5

### Acquisition Profile for the Department of the Treasury FY 1997



Source: FPDC and INPUT

## Top Contractors and Obligations by State

A list of the top IT contractors with the Department of the Treasury is provided in Exhibit 6. Exhibit 7 lists the top 20 states of performance for the agency's IT obligations. Contract obligations are the government's intent to purchase, and while not necessarily spent, they do

reflect actual spending trends. Contract actions performed in Washington, DC, Maryland and Virginia comprised 83.8% of Treasury's total IT obligations from 4QFY 1996 to 3QFY 1997. This data is based on obligations reported to the Federal Procurement Data Center (FPDC) at GSA for contract actions dated between October 1, 1996 and September 31, 1997.

Exhibit 6

### Top Contractors at Treasury 4QFY 1996 - 3QFY 1997

1. TRW Inc.
2. Unisys Corp.
3. BTG Inc.

4. AT&T
5. Northrop Grumman
6. Lockheed Martin Corporation
7. Metrica Inc.
8. IBM
9. American Management Systems
10. Aspect Telecommunications Corp.

Source: FPDC

Exhibit 7

### Top Department of the Treasury Obligations by State 4QFY 1996 - 3QFY 1997

State	IT Obligations	State	IT Obligations
1. Virginia	\$228,890	11. North Dakota	\$3,696
2. Washington D.C.	201,238	12. New York	3,467
3. Maryland	66,216	13. Colorado	2,394
4. California	23,920	14. Alabama	1,895
5. Tennessee	17,193	15. Oklahoma	1,739
6. Texas	11,971	16. Pennsylvania	1,553
7. Massachusetts	10,505	17. Indiana	1,155
8. West Virginia	7,931	18. Idaho	1,145
9. Georgia	5,639	19. Kentucky	1,030
10. Florida	4,747	20. Missouri	900

All figures in \$ Thousands

Source: FPDC and INPUT

## Major Contracts

At least 47 major IT contracts are currently active at the Department of the Treasury. Due to their volume, Exhibit 8 provides a brief overview of only those contracts with known values exceeding \$50 million. Currently, the agency has 36 major indefinite delivery/indefinite quantity (IDIQ) contract vehicles in place, which have a potential combined life-time

value of \$4.7 billion. INPUT speculates increased use of agency and interagency IDIQ contracts in response to the simplification of regulations governing the purchase of commercial items. This information is taken from INPUT's IMPACT database of active and awarded IT programs.



## Exhibit 8

## Major Contracts at the Department of the Treasury

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
1. Treasury Information Processing Support Services (TIPSS)	Professional Services — IDIQ	\$900M 5 yrs.	14 vendors provide integration, engineering, financial processing and telecommunications services to upgrade and integrate IRS and other Treasury data processing systems in accordance with the Tax Systems Modernization program.  Awarded from September 1994 to June 1995.
2. Service Center Support System (SCSS)	Professional Services — IDIQ	\$520M 12 yrs.	Under the umbrella TSM effort, Unisys provides systems and integration services for IRS Service Centers and the Martinsburg Computing Center to link existing information systems with those of TSM.  Awarded in May 1995.
3. Telecommunications Services (S-NET)	Network Services — IDIQ	\$56M 8 yrs.	US Sprint provides network services, maintenance and operation of the U.S. Secret Service's integrated data communications network, which supports mainframe computer processors, workstations, facsimile devices and electronic messaging functions.  Awarded in May 1995.
4. Storage Peripheral Replacement on Unisys Computer Equipment (SPRUCE)	Hardware/ Software — IDIQ	\$106M 9 yrs.	Unisys provides storage peripheral replacements at each of the IRS' Service Centers until the Service Center Support System (SCSS) is fully operational.  Awarded in June 1995.
5. Treasury Department Acquisition II (TDA II)	Hardware/ Software — IDIQ	\$110M 2 yrs.	Concept Automation provides the IRS and other Treasury bureaus with commercial off-the-shelf office automation products and operating system software.  Awarded in July 1995.
6. Treasury Communications System (TCS)	Network Services — IDIQ	\$426M 10 yrs.	TRW provides network security and data communications between all Treasury and other federal and commercial locations for domestic and international requirements.  Awarded in September 1995.
7. Treasury Department Acquisition II 8(a) (TDA II 8a)	Hardware/ Software — IDIQ	\$116M 2 yrs.	Win Labs provides the IRS and other Treasury bureaus with commercial off-the-shelf office automation microcomputer workstations, notebook computers, printers and peripheral devices.  Awarded in January 1996.
8. Long Term Maintenance Computing Centers (LTMCC)	Hardware/ Software — IDIQ	\$79M 5 yrs.	Automated Systems and Programming, Inc. provides the IRS with FIP hardware and software resources for equipment maintenance, software license and maintenance support and general support services.  Awarded in May 1996.
9. Treasury Distributed Processing Infrastructure (TDPI)	Hardware/ Software — BPA	\$500M Unk.	Under Lot 1 of the anticipated 9 in the TDPI blanket purchase agreement (BPA) to replace TMAC, Sylvest Management Systems provides workstations and server components to all Treasury bureaus. Remaining Lots to be awarded will provide Win-32-based hardware, communications hardware, power equipment and database management software.  Awarded in February 1997.

## Major Contracts at the Department of the Treasury (cont.)

<u>Program</u>	<u>Type</u>	<u>Size</u>	<u>Description</u>
10. Treasury Distributed Processing Infrastructure (TDPI)	Computer Equipment—Blanket Purchase Agreements	\$1400M N/A	Under Lot 1 of the anticipated 9 in the Treasury Distributed Processing Infrastructure (TDPI) blanket purchase agreement (BPA) to replace TMAC, Sylvest Management Systems provides workstations and server components to all Treasury Bureaus. Remaining Lots to be awarded will provide Win-32-based hardware, communications hardware power equipment and database management software.  Awarded in July, 1997.
11. Computer Center Facilities Operations and Management Services	Outsourcing--IDIQ	\$3.6M 5 yrs.	STG satisfies the Department of Treasury's Bureau of Engraving and Printing (BEP) requirements for continued computer center facilities and operations management services.  Awarded in November, 1997.
12. Maintenance Service for Microcomputer and Peripheral Equipment	Hardware Maintenance--Time and Material	12.1M 3 yrs.	L & E Associates provides the Internal Revenue Service (IRS) ongoing maintenance service for its microcomputers and peripheral equipment.  Awarded in November, 1997.
13. Disabled Employee Support Acquisition Contract II (DESAC)	Software Products--IDIQ	\$10.7M 5 yrs.	Integrated Technologies Group provides the Internal Revenue Service (IRS) continued hardware, software and services to support adaptive technologies for disabled employees of the Treasury Department and the offices and bureaus under its jurisdiction.  Awarded in December, 1997.
14. INC Document Reader	Image Systems--IDIQ	\$11M 5 yrs.	Cornet, Inc. and Hi-Tech International provide the U.S. Customs Service (USCS) document readers with the capability of performing optical character recognition (OCR) for a variety of machine readable travel documents (MRTD).  Awarded in January, 1998.
15. Assets Information Management System	Software Products--IDIQ	\$19.5M 5 yrs.	InfoPro provides the U.S. Customs Service (USCS) with assets information management system software development.  Awarded in February, 1998.
16. Integrated Collection System - Tier 1 Maintenance (ics)	Hardware Maintenance--Time and Materials	\$50M 4yrs.	Signature Technology Group provides the Internal Revenue Service (IRS) continued maintenance for tier 1 (mainframe) of the integrated collection system (ICS).  Awarded in April, 1998.

Source: INPUT



## Issues at Treasury

1. The Electronic Funds Transfer (EFT) 99 is the Federal Government's ongoing initiative to convert most of its nearly 1 billion annual payments from paper check to EFT by January 1999. Working under the mandate of legislation signed by President Clinton on April 26, 1996, Federal departments and agencies are on the fast track to ensure that all payments, except tax refunds, are made electronically by 1999. Payments covered under the EFT provisions of the law—Debt Collection Improvement Act of 1996—are Federal salary, benefit, vendor and miscellaneous payments. These payments are disbursed either by the U.S. Department of the Treasury or by other agencies with delegated or statutory disbursing authority. Additionally, the law applies to recurring and nonrecurring payments and appropriated and nonappropriated disbursements.

The Department of the Treasury's Financial Management Service (FMS) is overseeing implementation of the law governmentwide and is working with agencies to identify and resolve the major issues confronting stakeholders. The law requires EFT to be used for Federal payments to new recipients who become eligible to receive such payments after July 26, 1996. On that date, an Interim Rule 31 CFR (Code of Federal Regulations) 208 was published in the Federal Register, providing initial guidance on implementation. A Notice of Proposed Rulemaking, 31 CFR 208: Management of Federal Agency Disbursements, published in the Federal Register on September 16, 1997, offers guidance for EFT conversion for all Federal payments after January 1, 1999.

Treasury's formulation of regulations and policy on EFT conversion reflect Federal agencies' and key stakeholders' participation in addressing and resolving issues. FMS' Agency Readiness and Assistance Team, the liaison to over 200 Federal agencies, assists agencies in implementing EFT 99. Federal agencies covered by the Chief Financial Officers Act were to have submitted implementation plans by January 1, 1997, and all other agencies by July 1, 1997. A comprehensive public education and marketing campaign involving presentations nationwide and distribution of a variety of informational materials is underway. The campaign seeks to communicate the requirements of the EFT legislation and the impact it will have on recipients, financial institutions, and Federal agencies.

EFT, the transfer of funds by means other than paper instruments, includes Direct Deposit, Fedwire, automated teller machine (ATM), point-of-sale, and credit card transactions. Direct Deposit is the most widely used EFT program in the federal government with over 20,000 participating financial institutions. EFT offers safety, convenience, and reliability to payment recipients and cost savings to the Federal Government.

2. The development of the Department of Treasury's Financial Management Service (FMS), Year 2000 (Y2K) compliance for the Electronic Federal Tax Payment System (EFTPS) is still in progress. FMS and the Internal Revenue Service (IRS) are working jointly to modernize the Federal tax payment system by providing an electronic system for reporting and paying Federal taxes. As the millennium approaches, one of the major tasks facing



the Treasury is ensuring Year 2000 compliance of the Department's computer systems. By December 1998, all FMS computer systems and related interfaces outside and inside FMS must be Y2K compliant and certified. The Financial Management Service has devoted numerous resources and hired consultants to guide Treasury through the actions necessary to achieve this goal. The Department of Treasury has also been working with both NationsBank and The First National Bank of Chicago (the Treasury Department's financial agents for EFTPS) and the Federal Reserve Banks to confirm that they will meet the deadlines established for Year 2000 compliance. As of this date, all of the Treasury Department's agents are on schedule to be Y2K compliant by December of 1998.

FMS has established a Y2K Conversion Team devoted to establishing communications with all affected parties and monitoring the numerous system interfaces for the department's systems. FMS reviews the progress of each of the department's financial agents and Federal Reserve Banks on a monthly basis to determine if established milestones are being met. FMS considers several of the milestones and their associated completion dates to be Core Y2K Indicators of when specific actions must be completed in order to be on schedule for compliance with FMS. Several of the significant Core Y2K Indicator milestones, which are a concern to FMS, are listed below.

- Y2K Project Plans                      October, 1997
- Data Exchange Plan                      December, 1997
- Inventory Assessment                      February, 1998
- Contingency Plans                      February, 1998

- Code Modification                      July, 1998
- Programming/Installation                      May, 1998
- Testing                      October, 1998
- Y2K Certification                      December, 1998

This update will serve as the Treasury Department's formal response to the numerous inquiries FMS has received requesting information about its efforts to be Year 2000 compliant. Should you have any further questions regarding Treasury's Y2K effort on EFTPS, contact Mike Chew at (202) 874-7061 or Kristine Conrath at (202) 874-6786 on information on FMS' Y2K effort.

#### **FMS' Definition of Y2K Compliance**

Y2K Compliance refers to the state of a system when it is capable of accurately processing date data (including but not limited to calculating, comparing, sequencing and leap-year identification) from, into and between any years in the twentieth and twenty-first centuries and within the specified design date range of the system (which encompasses dates in the 19th and earlier centuries if required). Further, all other technology in the environment or used in combination with the system, including interfaces and the third party processors, must be Y2K compliant. An application that is capable of accurately processing date data from, into, and between the twentieth and twenty-first centuries within the specified design date range of the system, is considered Y2K ready, which is a step in the process toward becoming Y2K compliant. A key difference between readiness and compliance is that readiness addresses a singular application's handling of date data while compliance addresses the same within the context of multiple applications and the exchange of date data among them.



3. The Treasury Department intends to implement an automated human resources system, similar to an ERP program, to coordinate efforts across the Department and support mission goals. This system will enable the reengineering of human resources processes and will give managers better information and tools to strategically manage the workforce. Working within each of the Bureaus, the Treasury Department will replace many of its duplicative, non-integrated, and cost prohibitive personnel and payroll systems which support current operations.

In December, 1996 the Deputy Assistant Secretary (DAS) for Departmental Finance and Management (DFM) chartered the Treasury Human Resources (HR) System Team to assess the needs and feasibility of replacing Treasury's existing personnel and payroll systems and to recommend the Department's role in future HR system design, development and implementation. In July 1997, based on the Human Resources System Team's findings and conclusions, the DAS (HR) recommended that Treasury proceed to design, develop and implement a new human resources system. The Treasury Investment Review Board approved the business case for a new HR system in September 1997, and endorsed the strategic direction and budget requests for FY 1998 and 1999.

4. The General Accounting Office (GAO) released a summary of its High-Risk Series reports on February 1 (HR-97-2), which provides a reference to the status of 20 high-risk program areas it has tracked for several months. Of the 20 federal program areas, the Department of the Treasury is detailed in six — the highest ratio for any single executive

department. Specifically, the areas in which GAO is stressing Congressional review and management restructuring for the Department of the Treasury include:

- The IRS' multibillion dollar Tax Systems Modernization (TSM) program, which has repeatedly run into implementation delays, cost overruns and performance shortcomings
- IRS financial management practices, which have diminished the IRS' ability to assess the results of operations or measure performance
- Problems in the management and collection of tax accounts receivable
- Significant levels of tax filing fraud
- The U.S. Customs Service's financial management practices and systems
- The asset forfeiture programs and their oversight within the Customs Service and the Department of Justice

5. Several recent GAO reports (AIMD/GGD-96-152, T-AIMD/GGD-96-188 and T-AIMD/GGD-97-22) have highlighted the "critical need" to improve business operations at the Internal Revenue Service. Technical and management weaknesses at the agency have already resulted in major Congressional steps against the IRS and its activities, including a sharp reduction in federal funding for the Tax Systems Modernization program and personnel expenses. These ongoing problems and the IRS' inability to solve them led to the creation of the National Commission on Restructuring the Internal Revenue Service in the 1996 Treasury-Postal Service appropriations bill.

While sweeping changes have been proposed and partially implemented by the 17-member Congressional



commission, GAO and IRS officials now stress that the agenda for restructuring the agency is too ambitious and widespread and lacks a clear and prioritized strategy. IRS CIO Arthur Gross recently announced that information system interoperability must be the key priority in business operations reform, stressing that most of the agency's problems stem from fragmented customer service systems. The commission is expected to release a final report on optimal reorganization this summer.

6. IRS restructuring has inevitably targeted personnel as a major area of reform and reduction. In 1996, Congress approved the terms and conditions of the IRS employee buyout plan. However, the number of IRS employees to be cut remains unclear. Estimates of job reductions have ranged from 2,000 to 5,000, while Robert Tobias, president of the National Treasury Employees Union (NTEU) currently believes the number of IRS buyouts will be approximately 3,400 — roughly the same number the agency estimates it will eliminate from field and headquarters staff. Information systems staff throughout the agency will likely comprise 24% of the proposed layoffs.

Facing substantial employment reductions, agency-wide reorganization and TSM funding cuts, the IRS is continuing the development of a plan to outsource its tax returns processing entirely. Mandated by Congress in 1996, the Internal Revenue Service has compiled a report, *Study of the Feasibility of Outsourcing Submissions Processing*, which details the ability of vendors to take over return processing systems. In the report, the agency stresses that current IRS systems must still be upgraded and replaced since the earliest date full outsourcing could begin is the year 2001.

7. In a recent report entitled *Selected Tax Policy Implications of Global Electronic Commerce*, the Department of the Treasury announced that excise tax on electronic commerce (EC) would not be imposed. With recent exponential growth in electronic commerce and monetary transfers over the Internet, the implications of inconsistent domestic and international taxation jurisdictions have become a central concern of the department's Tax Policy Office. The report takes the position that tax neutrality will allow information technology and electronic commerce to reach their full potential and that such technology should not be used to justify new taxes. Treasury is currently not considering any type of value added tax or "bit" tax on EC. The report can be downloaded on the Internet at <http://www.ustreas.gov/treasury/tax/internet.html>.

## On-Line Information Resources

The Department of the Treasury maintains a World Wide Web home page accessible at <http://www.treas.gov>. This site contains press releases, departmental correspondence and related public affairs information. Links to the home pages of Treasury's various bureaus and offices are also provided for more detailed information on their respective program activities and organization. Treasury does not typically post its acquisition activity on the Internet, and a fair amount of searching on individual bureau home pages is required to find any procurement opportunity.

Three bureaus do offer useful procurement sites, while posted opportunities are not necessarily for IT products or services. The Office of Small and Disadvantaged Business Utilization offers information on conducting business with Treasury and a forecast of contract



opportunities at <http://www.ustreas.gov/treasury/bureaus/sba/sba.html>. The Bureau of Engraving and Printing's Office of Procurement maintains an on-line site for contract administration and its IT Contracts Division at <http://www.ustreas.gov/treasury/bureaus/bep/proc/proc1.html>. Also, the Financial Management Service posts its procurement opportunities at <http://www.fms.treas.gov/procure.html>.

Finally, the Department of the Treasury maintains a number of electronic bulletin board systems (BBS) for general procurement information. Treasury's department-wide BBS can be accessed at (202) 219-9996. Also available are the IRS Procurement BBS at (202) 799-0943 and the IRS Information Systems Support BBS at (202) 219-9835, which contain documents related to the current TDPI acquisition, among others.

## Major Points of Contact

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- IT Market Forecasts program

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  - Acquisition targets
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# Agency Profile

A Publication from INPUT's Electronic Government Program

Vol. IV. No. 12

June 1998

## Small Business Administration

### Purpose

The mission of the Small Business Administration (SBA) is to aid, counsel, assist and protect the interests of small business concerns in order to preserve free enterprise and to maintain and strengthen the overall economy of the United States of America. The SBA also ensures that small

businesses receive a portion of government purchases, contracts and subcontracts, and sales of government property. In addition, the SBA makes loans to small businesses, state and local development companies, and the victims of flood or other catastrophes, or of certain types of economic injury. The SBA has the responsibility to license, regulate and make loans to small business investment companies.

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### Organization

The Small Business Administration was created by the Small Business Act of 1953. It derives its authority from the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act of 1958 (15 U.S.C. 661). The Secretary of Commerce has delegated to the SBA certain responsibilities and functions under section 202 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3142) and is further authorized to delegate certain responsibilities under chapter 3 of the Trade Act of 1974 (19 U.S.C. 2101).

The SBA is directed by Administrator Aida Alvarez and Deputy Administrator Fred Hochberg. The SBA employed approximately 4,483 people in May 1998, a slight decrease from the previous year when the number was 4727. The organizational structure for the SBA is presented in Exhibit 1.

## Program Activities

The offices of the SBA fulfill a variety of functions including:

### **a. Financial Assistance**

The SBA provides guaranteed, direct or immediate participation loans to small businesses to help them finance plant construction, conversion or expansion, and to acquire equipment, facilities, machinery, supplies or materials. It also provides them with working capital.

### **b. Disaster Assistance**

The SBA lends money to help the victims of floods, riots or other catastrophes repair or replace most disaster damaged property. Direct loans with subsidized interest rates are made to assist small businesses and small agricultural cooperatives without credit elsewhere that have sustained substantial economic injury as a result of natural disasters.

### **c. Investment**

The SBA has the authority to license, regulate and provide financial assistance to small business investment companies. The sole function of these investment companies must be to provide venture capital in the form of equity financing, long-term loan funds and management services to small business concerns.

## Exhibit 1

### SBA Organization

#### **Administrator**

#### **Deputy Administrator**

- Chief of Staff
- Counselor to the Administrator
- Office of Inspector General
- Office of Congressional and Legislative Affairs
- Office of Hearings and Appeals
- Office of Disaster Assistance
- Office of General Counsel
- Office of Advocacy
- Office of Equal Employment Opportunity and Civil Rights Compliance
- Office of Communications and Public Liaison
- Associate Deputy Administrator for Economic Development
- Chief Financial Officer
- Associate Deputy Administrator for Management and Administration
- Associate Deputy Administrator for Government Contracting and Minority Enterprise Development

#### **Regional Offices**

- Boston, MA
- New York, NY
- Philadelphia, PA
- Atlanta, GA
- Chicago, IL
- Fort Worth, TX
- Kansas City, MO
- Denver, CO
- San Francisco, CA
- Seattle, WA

Source: Carroll Publishing 1998

### **d. Surety Bonds**



The SBA Surety Bond Program helps to make the contract bonding process accessible to small and emerging contractors who would otherwise find bonding unavailable. It will guarantee to reimburse a qualified surety up to 90% of losses incurred under bid, payment or performance bonds issued to small contractors on contracts valued up to \$1.25 million.

***e. Government Contracting***

The SBA works with the federal government and leading government contractors in developing policies and procedures that increase the number of contracts going to small businesses. This is accomplished by setting aside certain government purchases for competitive award and developing subcontracting opportunities for small businesses.

***f. Business Initiatives***

The SBA develops and cosponsors courses and conferences, prepares informational literature, and encourages research into the operations of small business concerns. It counsels and conducts management workshops for established as well as prospective business persons.

***g. Minority Enterprise Development***

The Minority Enterprise Development program is a multi-faceted program designed to promote business ownership by socially or economically disadvantaged persons. Its components include the 8(a) program, the 7(j) management and technical assistance program and the minority outreach program.

***h. Advocacy***

The Office of Advocacy evaluates the impact on small businesses of legislative proposals and public policy issues. The office researches the effects of federal laws, program and regulations on small businesses, and makes recommendations to federal agencies for appropriate adjustments to meet the needs of small businesses.

***i. Women's Business Ownership***

The Women's Business Ownership program was formed to implement a national policy to support women entrepreneurs. It develops and coordinates a national program to increase the strength, profitability and visibility of women-owned businesses.

***j. Veterans Affairs***

The Veterans Affairs program advocates assistance for veterans in business or those who wish to start businesses. Program efforts include the development and implementation of procurement and other specialized training, consulting services and conferences tailored to the special needs of veterans.

***k. Technology***

The Office of Technology is responsible for coordinating and monitoring the government-wide activities of the Small Business Innovation Research Program. This program strives to increase small business participation in federal research and development, and to increase private sector commercialization of technology developed through federal research and development.

***l. International Trade***

The Office of International Trade develops and recommends agency policy regarding the International Trade program. To this end, the office develops plans, operating

procedures, and standards to effectively strengthen and improve a federal agency's International Trade program for small business

### ***m. Small Business Development Centers***

The SBA's Small Business Development Centers provide counseling and training to existing and prospective small business owners. These services are available at approximately 1000 geographically dispersed locations including Puerto Rico and the U.S. Virgin Islands.

## **Program Budget**

With only minor exceptions, federal funding for the Small Business Administration is expected to remain fairly level over the next five years. The program budget for the Small Business Administration is presented in Exhibit 2. These figures represent net federal funds but do not account for offsetting collections or changes in orders on hand from federal sources, where applicable.

Exhibit 2

### **Program Budget of the Small Business Administration**

Program Accounts	Budget Authority by FY in \$ Millions						
	1997	1998	1999	2000	2001	2002	2003
Salaries and expenses	\$235	\$254	\$281	\$245	\$245	\$245	\$252
Office of Inspector General	9	10	11	11	11	11	11
Surety bond guarantees revolving fund	4	4	3				
Business loan program	279	578	263	267	267	267	274
Disaster loans program account	327	209	166	192	192	192	192
<b>Total Program Budget</b>	<b>854</b>	<b>1,055</b>	<b>724</b>	<b>715</b>	<b>715</b>	<b>715</b>	<b>729</b>

Source: Budget of the United States Government FY1999

## **SBA Acquisition Profile**

Exhibit 3 provides a graphical summary of the procurement vehicles used by the Small Business Administration to acquire its IT products and services, as well as the type of contractor providing them. These figures reflect shares of the total

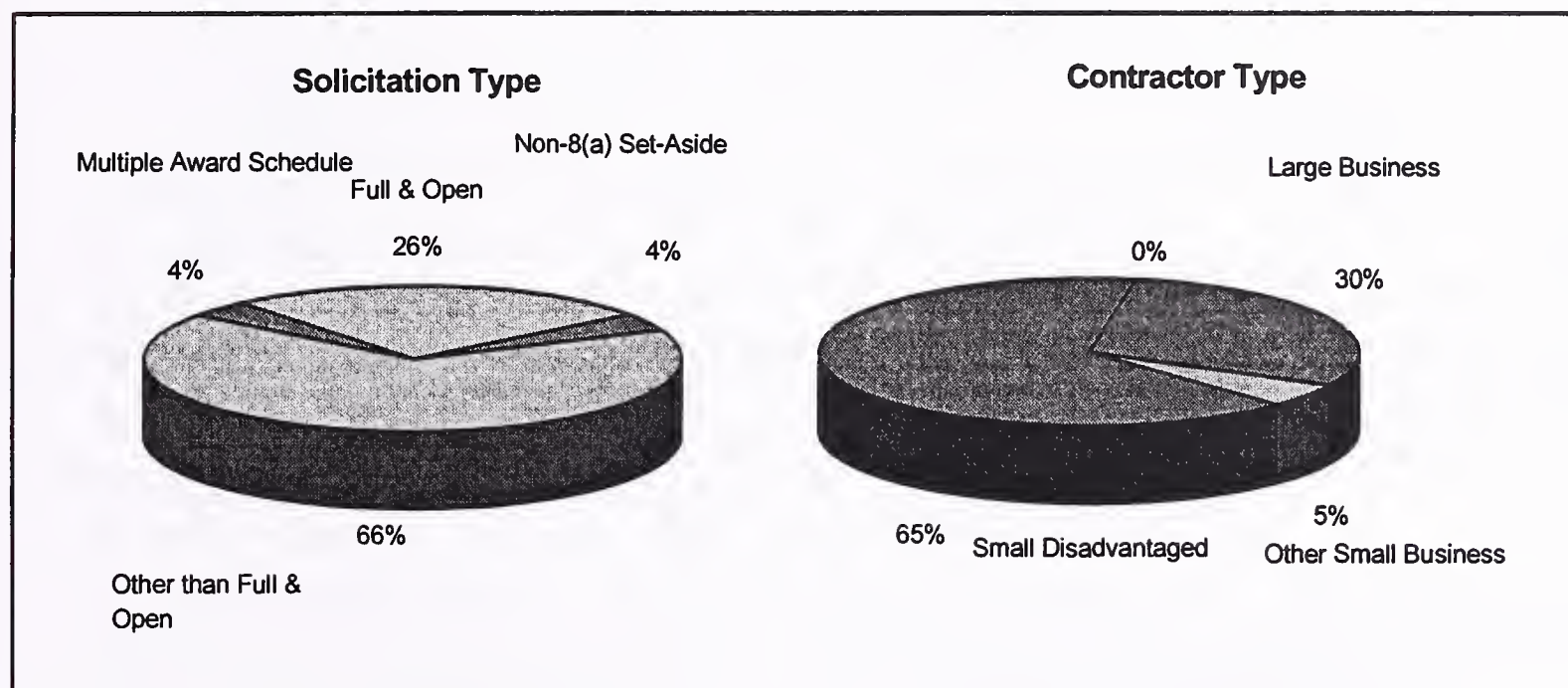
information technology contract dollars obligated by the agency during FY 1997.

"Other than full and open" competition encompasses various solicitation vehicles, including 8(a) set-asides, limited competition, as well as negotiated and alternate source purchases.



Exhibit 3

### Acquisition Profile for the Small Business Administration FY 1997



Source: FPDC and INPUT

### Top Contractors and Obligations by State

A list of the top IT contractors with the Small Business Administration is provided in Exhibit 4. Exhibit 5 lists the top states of performance for the agency's IT obligations. Contract obligations are the government's intent to purchase, and while not necessarily spent, they do reflect actual spending trends. Contract actions performed in Washington, DC, Maryland and Virginia comprised 61% of the Small Business Administration's total IT obligations during FY 1996. This data is based on obligations reported to the Federal Procurement Data Center (FPDC)

at GSA for contract actions dated between October 1, 1996 and September 30, 1997.

## Exhibit 4

### Top Contractors at the Small Business Administration FY 1997

1. Electronic Data Systems
2. SSSI
3. CADSCAN Inc.
4. Dynamic Decisions Inc.
5. Contemporary Technology Inc.
6. Kensington Systems Inc.
7. Anthony W. Powell Inc.
8. Dataequip Inc.
9. Gonzales Consulting Services
10. Planned Systems International

Source: FPDC and INPUT

## Exhibit 5

### Top Department of State Obligations by State FY 1996

State	IT Obligations
1. Virginia	\$6142
2. Washington, DC	4962
3. Colorado	119
4. California	100
5. New York	58
6. Alabama	50
7. Hawaii	44
8. Arkansas	26

All figures in \$ Thousands Source: FPDC and INPUT

### Issues at the Small Business Administration

1. The Small Business Administration has received good marks from the OMB in the 5<sup>th</sup> Quarterly Report "Progress on Year 2000 Conversion." The SBA was placed in the Tier 3 category of agencies making

satisfactory progress in Year 2000 problem correction and was cited for being ahead of schedule for completion of Y2K work. The original strategy of the SBA was to migrate from a mainframe computing environment to a client-server environment by the end of 1998, thereby eliminating the need for



reprogramming. Delays in implementation of this plan have required the SBA to develop a parallel plan of repairing the systems which cannot be migrated before Y2K deadlines.

2. In a move to streamline the 8(a) contracting process, the Small Business Administration has signed "delegation of authority" agreements with 25 federal agencies. The agreements allow agencies to work more directly with the 8(a) firms and to bypass the SBA, which by current law must function as an intermediary for 8(a) contracting. The law does allow the SBA to delegate its authority through special agreements. A pilot program with the Department of Transportation showed significant reduction in the time required to award contracts.

## On-Line Information Resources

The Small Business Administration maintains a World Wide Web home page accessible at <http://www.sba.gov>. This site contains extensive information on the

SBA's services to small businesses. An interesting service found on the site is the Procurement Marketing and Access Network (PRO-Net) system which is a searchable database of information on 171,000 small, disadvantaged, 8(a) and women-owned businesses.

## Major Points of Contact

### Administrator

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### Director, Office of Procurement and Grants Management

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- IT Market Forecasts program

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# Abstract

Uncompensated overtime is the practice of requiring "exempt" professional employees to work extra hours, beyond the standard 40-hour week, without additional compensation. Companies frequently bid uncompensated overtime as a way of artificially lowering the effective labor rate for professional and technical services contracts.

This market bulletin describes the practice, shows how it can be used, and where its use is most appropriate. It also presents the text of various federal government policy papers and discusses their possible effects.

This bulletin contains 38 pages, including exhibits and appendixes.





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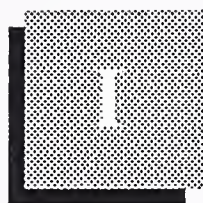


# Introduction









# Introduction

This market bulletin on uncompensated overtime has been prepared as a service to INPUT's clients in the Federal Information Systems and Services Program (FISSP). The report presents key issues surrounding various contractor practices of artificially lowering labor bid rates for exempt professionals for professional and technical services contracts by requiring overtime work with no additional compensation. Overtime, in this context, refers to hours worked in excess of a standard 8-hour day or 40-hour week.

Both the federal government—primarily the Department of Defense (DoD)—and private industry have “faced off” on this practice, but, even within each side, there is a range of opinions regarding its use. This bulletin examines multiple facets of the uncompensated overtime practice, including traditional government and industry positions, and addresses the current status on regulatory actions.

## A

### Scope

The period covered by this bulletin is 1989 through April/May 1991. The scope of this bulletin concerns objective identification of issues related to the uncompensated overtime practice and examination of their likely impacts on defense and industry contractors and the federal government.

## B

### Methodology

Agency interviewees were selected for their record of participation in task forces or committees dealing with the uncompensated overtime issue. Industry representatives were contacted from among INPUT's clients and professional associations.

Sources consulted in developing this bulletin include:

- *DoD Advisory Committee Report on Uncompensated Overtime*, December 1989
- Memorandum from Donald J. Yockey for Secretaries of Military Departments and Directors of Defense Agencies, May 1990
- Major trade publications
- DoD policy officials
- Industry representatives
- The *Federal Register*
- The FY 1991 *Defense Authorization Act*

## C

### Report Organization

This bulletin is organized around the notion that bidding uncompensated overtime has evolved as a competitive pricing technique in response to a highly competitive contracting environment. The report features:

- A description and definition of uncompensated overtime
- Background topics related to the issue, such as full-time accounting systems, proposal evaluation criteria, and price versus quality concepts
- Impact on industry and government
- Anticipated effects of new regulations

This bulletin consists of three additional chapters:

- Chapter II is an Executive Overview describing the major points and highlighting key implications in the report.
- Chapter III details the uncompensated overtime practice, background areas, and associated issues.
- Chapter IV contains industry trends, government and association views, and potential effects of implementing new regulations being drafted for the Defense Federal Acquisition Regulations Supplement (DFARS).

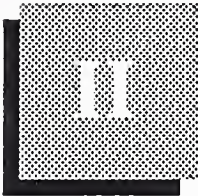




# Executive Overview







# Executive Overview

A

Definition

Uncompensated overtime is the practice of requiring exempt professional employees to work extra hours, beyond a standard 40-hour week, without additional compensation. Companies frequently bid uncompensated overtime as a way of artificially lowering their effective labor rate on professional and technical services contracts. “Exempt” refers to the status of engineers and other professionals who are, for the most part, specifically legally excluded from the Fair Labor Standards Act with respect to overtime pay. Under this scenario (as shown in Exhibit II-1), a professional engineer earning \$52,000.00 per year (\$25.00/hour), but required to work 50 hours per week, would effectively be earning at the rate of \$20.00 per hour, a reduction of 20%.

EXHIBIT II-1

Sample Case		
	Standard	Uncompensated Overtime
Salary	\$52,000.00/year	\$52,000.00/year
Time	40 hours/week	50 hours/week
Hourly Rate	\$25.00/hour	\$20.00/hour ...20% cut in hourly rate

**B****Key Issues**

Various market and policy-related drivers play a role in understanding the trends in this area. Major drivers are highlighted in Exhibit II-2.

**EXHIBIT II-2****Major Drivers**

- Competition for DoD professional and technical services contracts
- Agency buying practices (i.e., Navy)
- Quality versus cost—best value
- Source selection procedures
- Cost realism test
- Full-time versus 40-hour accounting

Competition for business is the leading driver forcing companies to engage in uncompensated overtime. In a number of instances, the issue boils down to selection based on lowest bottom-line price, especially if all contractors are equally qualified. The Navy is well known for engaging in this practice.

The concept of best value, which weighs level of technical qualification against cost, is gaining greater acceptance as a source selection procedure. Here the low bid is not necessarily the winning bid if the combination of technical expertise and cost justifies other than the lowest offer.

Source selection procedures can also involve evaluating bids for realistic costs, although it is not clear how frequently a cost realism test is actually done. Full-time accounting versus 40-hour systems is another source of complexity that can be encountered in proposal evaluation. The former usually requires more complex systems.



C

Background

The increased competitive marketplace for professional and technical services is a chief reason why companies engage in uncompensated overtime practices. Competition has increased noticeably since the passage of the Competition in Contracting Act (CICA) of 1984. Increased competition plus a shrinking defense budget are propelling technical services firms to drive down already thin profit margins in order to win labor-intensive services contracts. If the market places the greatest emphasis on price, companies will respond accordingly. Exhibit II-3 summarizes the key background factors.

EXHIBIT II-3

**Background Factors**

- Competition in Contracting Act (CICA)
- Disenchanted engineers
- DoD—a "not encouraged" policy
- Congress

Although the uncompensated overtime practice is not encouraged by DoD, neither is it disallowed. Rather, DoD maintains that the practice is a function of the marketplace and to legislate against it would be anti-competitive. Nevertheless, engineers in the industry complained to Congress about their companies making the uncompensated overtime mandatory. The engineers convinced policy officials in Congress and DoD to draft language which attempts to couch the issue more in terms of quality and value than simply price. The focus might then shift away from cost-driven strategies. However, to date, the results have been mixed.

D

Trends

Regulations are being drafted by the Defense Acquisition Regulatory (DAR) Council for insertion into the Defense Federal Acquisition Regulation Supplement. They will first be published in the *Federal Register*.

The impact of these regulations could be twofold:

- Greater accountability required by contractors and more equitable basis for DoD to determine rate differences among proposals.
- Deterrence, as the additional paperwork and administrative burden could cause some companies to rethink a decision to bid uncompensated overtime.

The overall trend in the industry is still to bid uncompensated overtime for professional and technical services contracts. However, this is primarily true more for the Navy than the Army or Air Force. There are some indications that the Navy may steer away from its traditional "low bid wins" practice in this market. Time will tell. These trends and others are identified in Exhibit II-4.

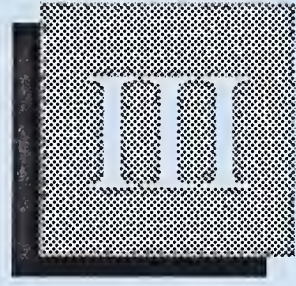
The use of a best value criterion may gain greater acceptance in this market, if DoD endorses the new rules and policy guidance. Also, time and materials (T&M) contracts, which are subject to gamesmanship, may receive greater scrutiny in the future and may diminish as a contract vehicle.

EXHIBIT II-4

### **Trends and Impacts Summary**

- More documentation required
- Navy effects on policy shifts
- "Best value" criterion
- "Time and materials" diminish



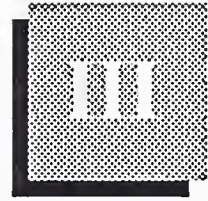


# Background and Major Issues









## Background and Major Issues

### A

#### Overview

Competition is a major force that drives companies to use uncompensated overtime practices. The passage of the Competition in Contracting Act (CICA) in 1984 mandated full and open competition for many defense contracts for professional and technical services that previously may have been awarded on a sole-source basis.

In order to win, some contractors found it necessary to include a variable amount of uncompensated overtime for professional employees. This effectively lowered the hourly rate since the professional's time was now based on a longer work day and/or week. Thus, the actual hourly rate became the bid rate that was submitted, and it would appear lower than the market average for a given professional position.

This practice applied only to certain types of contracts:

- Cost reimbursement—costs are based on a number of direct labor hours.
- Time and materials—the hourly rate determines the contractor's compensation.

In other cases, such as fixed-price contracts, the hourly rate would not be a deciding factor. In such contracts, the work was priced based on a total amount to do the job, and the hourly rates would shrink or swell depending on how efficiently the work was performed.

**B****Background**

Exhibit III-1 lists key background factors. One basic fact that affects any discussion of uncompensated overtime concerns the difference between professional and hourly positions. The Fair Labor Standards Act of 1938 mandates that employers pay non-exempt workers—such as secretaries, clerks, and technicians—time and one-half for time worked in excess of 40 hours per week. However, professional employees—such as engineers, accountants, and managers—are not covered by this provision and are, therefore, called “exempt.” Employers can choose to pay extra for overtime in these positions, but are not required to do so as in the non-exempt case. This explains the distinction between FTE (Full-Time Exempt) and FTNE (Full-Time Non-Exempt) that is often referred to in contracting parlance.

**EXHIBIT III-1****Background Factors**

- Exempt versus non-exempt
- Mandatory overtime
- Navy history—the \$7.00/hour engineer
- FY 1991 Defense Authorization Act
- Yockey Memorandum

Over the years, professionals in a variety of disciplines have regarded overtime as being expected by the employer. Nevertheless, the issue of uncompensated overtime arose when engineers complained that their companies were demanding the excess time as a condition of employment. This contributed to morale, work-stress, and productivity problems. In some cases, the quality of products and services also suffered.

The Navy is at the forefront of DoD services that have used the uncompensated overtime practice to drive down the costs in professional and technical services contracts. In one case, the Navy awarded a contract in which the hourly rate for engineers was as low as \$7.00 per hour. This incident received a great deal of attention and served to heighten awareness of the problem. Discussions have ensued between industry and government officials, and in the past year, there has been movement between industry and DoD (especially the Navy) to reach some accord on the problem.



In fact, the FY 1991 Defense Authorization Act contains language expressly charging the Secretary of Defense to enact regulations that would limit use of uncompensated overtime (Appendix B).

“...that professional and technical services are acquired on the basis of the task to be performed, rather than on the basis of the number of hours of services provided...”

“...establish criteria to ensure that proposals for contracts for technical and professional services are evaluated on a basis which does not encourage contractors to propose uncompensated overtime...”

“...ensure that offerors are notified that proposals which include unrealistically low labor rates or which do not otherwise demonstrate cost realism will be considered in a risk assessment and evaluated appropriately...”

Much of this language also appeared in a May 1990 DoD Memorandum signed by Donald Yockey (Deputy Under Secretary of Defense for Acquisition). The memorandum provided guidance on source selection procedures for professional and technical services contracts. One key concept contained in the memorandum was that “...*as the effort being contracted for departs from clearly described, routine types of tasks toward more complex, less clearly defined efforts, the emphasis on cost should lessen and technical quality factors should be given greater emphasis in the award decision...*” (Appendix A).

Exhibit III-2 reviews four key issues that impact the uncompensated overtime practice.

#### EXHIBIT III-2

### Key Issues

- Source selection procedures—proposed evaluation criteria
- Competitive strategy
- Accounting systems—full time versus 40 hours per week ...or, “Where did all the hours go?”
- Cost realism

## 1. Source Selection Procedures

As alluded to earlier, source selection constitutes one of the major issues relating to uncompensated overtime practices. If proposals in the professional and technical services arena are evaluated mostly from a cost standpoint, this heightens the competitive environment and lessens the emphasis on technical qualifications. A cost-dominant evaluation also spurs contractors to resort to uncompensated overtime in preparing their proposals because this practice helps lower the labor cost.

Thus, if DoD were using a “low price wins” selection criterion for professional and technical services, contractors would feel compelled to effectively get their engineering rates as low as possible. Since companies would not cut (practically speaking) employees’ salaries, they must indirectly lower the hourly labor rate by *increasing* the number of hours for the same total salary.

## 2. Competitive Strategy

In this fashion, an engineer would be working the extra hours, but, as an exempt employee, would be paid on the basis of 40 hours per week. Hence, the practice of uncompensated overtime becomes a market strategy and begins to dictate how contractors respond to the competitive marketplace. The issues of quality, technical competence, and skill levels then take a secondary role in what becomes a commodity-like price shootout.

## 3. Sample Case

An example of how uncompensated overtime might work is as follows:

A professional project manager might be employed at \$52,000 per year, which equates to \$25.00 per hour (unloaded) based on 40 hours per week at 52 weeks per year (2,080 hours). However, if the company determines it needs to bid the manager’s skills at \$20.00/hour in order to win, this would involve a decrease of \$5.00 per hour worked. In order to make up the difference for the professional’s actual salary, the company would have to require an additional 10 hours per week  $(\$52,000 - \$41,600)/20 = 520 \text{ hours}/52 \text{ weeks} = 10 \text{ hours/week}$  with no extra pay. Effectively, the employee is having to work 2,600 hours at a \$20.00 per hour rate to make his actual salary of \$52,000 based on 2,080 hours at \$25.00 per hour. Exhibit III-3 illustrates this point.

Companies are effectively bidding higher skilled people at unrealistic rates to get the best of both worlds. A conflict arises when professional employees’ morale declines and they feel pressured to work the additional hours.



## EXHIBIT III-3

## Sample Case

	Standard	Uncompensated Overtime
Salary	\$52,000/year	\$52,000/year
Time	40 hours/week	50 hours/week
Total Hours	2,080/year	2,600/year
Hourly Rate	\$25.00/hour	\$20.00/hour ...a 20% cut in hourly rate

The government, on the other hand, has a right to expect the number of hours based on the proposal submitted. Indeed, it has often been argued that, from the government's standpoint, this practice simply serves to drive down labor costs and provide a more affordable service to the taxpaying public.

INPUT regards this pre-1990 government position as somewhat inconsistent. If the "lowest price wins" criterion were allowed to dictate the majority of professional service awards, the industry would receive a mixed message. This suggests that misrepresenting the skilled labor pool on a contract is okay, as long as it is in the government's favor. Essentially, DoD recognized the problem and instructed the agencies in the Yockey Memorandum to evaluate and award "... *to the maximum extent practicable, on the basis of best overall value to the Government...*" This means that in more complex tasks "*factors such as personal qualifications, approach to sample tasks, management, past performance, and quality should be treated in the source selection process as more important than cost.*" INPUT considers this policy to be more equitable and beneficial to both industry and government.

The real questions are whether industry perceives the government as serious and whether this policy will actually change proposal practices. INPUT believes price will remain a key determinant, but the “best value” criterion will permit more cases of awarding to other than the lowest offeror. Exhibit III-4 provides a summary of selected concerns for both government and industry.

EXHIBIT III-4

Major Concerns	
DoD	Industry
<ul style="list-style-type: none"> <li>• Maintain competition</li> <li>• Get best value</li> <li>• Cost realism</li> </ul>	<ul style="list-style-type: none"> <li>• Be competitive—win business</li> <li>• Retain work force</li> <li>• Maintain bid options</li> </ul>

#### 4. Full-Time Accounting System

The fact that some companies track employees’ total time, whereas others only monitor time up to 40 hours per week, can cause difficulties in terms of proposal evaluation procedures.

Accounting systems that track all time worked are referred to as full-time accounting systems. Bidding rates based on different systems can make comparisons difficult, particularly if companies are all using uncompensated overtime but different types of accounting systems.

Currently, there is no regulation that dictates what type of accounting systems must be used. However, the Yockey Memorandum amplified the government’s position that all hours proposed beyond forty per week per person should be indicated in the proposal. This allows the government to account for all hours to be expended and compute rates on an equivalent basis for different contractors.

#### 5. Cost Realism

Abnormally or unrealistically low labor rates (that can occur with an uncompensated overtime practice) are subject to tests for cost realism. The government’s position is that proposals should include offers which are realistic in terms of the task being bid and the resources being employed to do the work.



Contractors need to keep in mind that the “cost realism” factor can be a tool of exclusion. It permits the government to conduct a risk assessment to determine whether a “low bid - great bargain” is relatively realistic.

A proposal that does not pass the cost realism test, according to the government’s indices, would be denied consideration and effectively eliminated from the competition. To what extent the government uses this factor is purely speculative, since often all competitors are qualified and have dropped their rates to razor-thin margins in order to win the contract.

Cost realism, therefore, serves as another potential measure to gain realistic bids from vendors. But, whether the government will use and enforce it appears murky. Contractors will have to be convinced through actual cases that the government is serious about cost realism.





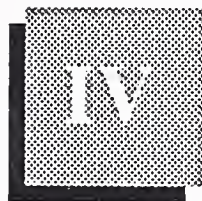


# Trends and Impacts









## Trends and Impacts

The 1989 Defense Authorization Act instructed the Secretary of Defense to develop guidelines for uncompensated overtime and to appoint an advisory committee that would develop recommendations. Basically, DoD was required to construct proposal evaluation criteria for judging professional and technical services contracts. The criteria were intended to “not encourage” contractors to propose mandatory uncompensated overtime. This wording appears significant, since it does not actually say “discourage.” The wording seems conspicuously and intentionally vague in order to permit flexibility. In effect, proponents of the practice lobbied successfully to water down the guidance.

A committee, composed of DoD and industry representatives, was formed under the name Defense Advisory Committee on Uncompensated Overtime. The Committee produced its report after a year-long period and transmitted its findings to DoD, private industry, and Congress. Essentially, Chapter III contains the highlights of the advisory report.

This chapter examines some of the trends and anticipated effects that may occur as a result of the Committee’s work. It also looks at the impact of new regulations currently being proposed for the Defense Federal Acquisition Regulation Supplement (DFARS). Appendix C contains proposals for new DFARS covering uncompensated overtime.

---

### A

#### Best Value

The concept of best value, which addresses both technical expertise and cost in combination, appears to be gaining favor in the defense community as a selection criterion, but time will tell if it only ends up as lip service. Instead of an absolute low price, the determination of best value can lead to awards that range from low to high bids. Using a car analogy, best value connotes a composite result where the “Cadillac” offer could end up as a better value than the cheaper “Hyundai” solution, or the more expensive “BMW” type offer, as shown in Exhibit IV-1.

## EXHIBIT IV-1

Best Value Analogy			
	Choice A	Choice B	Choice C
Price	Low	High	Luxury
Features	Simple	Fancy	Luxury
Model	Hyundai	Cadillac	BMW
...Choice B Wins			

A subtle revision to the Competition in Contracting Act (CICA) of 1984 may have a significant impact on the source selection process. Previously, CICA required that, if DoD wanted to award based on the initial offer, it had to choose the lowest price. According to a DoD official, this meant that if a company was the most qualified technically, but its bid was just one dollar higher than the low price offer, the selection authority was still bound to choose the low price based on the CICA rules.

Under a new modification to CICA, the rule now states that—if the RFP includes a note stating the government's intention to award on initial submission—the government is not bound by the low price, but can choose other than the lowest offer.

Both industry representatives and DoD officials endorsed this change to CICA. One of the potential impacts would be that contractors give their "best shot" on the initial submission without assuming that a Best and Final Offer (BAFO) negotiation will occur.

This helps in at least two ways:

- It allows the government to exercise greater flexibility in making an award.
- It could speed up the time for acquiring the contracted services by reducing steps in the process.



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**B**

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**Uncompensated  
Overtime**

The difference between perception and reality is another aspect of this issue that should be considered. Whereas some officials believe the practice of uncompensated overtime has abated, survey results obtained in 1988 found, on the average, that companies reporting uncompensated overtime included 5.4 “extra” hours per week. The Navy conducted a smaller scale survey and determined the average was about 3.7 hours per week.

It is difficult to tell whether these figures paint an accurate picture when some anecdotal information depicts 50 and 60 hours per week being required by various companies.

The major problem is that if some companies feel compelled to use uncompensated overtime, others will follow suit to stay competitive. Apparently, small companies espouse this practice as a way to stay competitive with larger companies. The smaller companies tend to have higher overhead (OH) and general and administrative (G&A) rates because their employee base is smaller. Consequently, they see uncompensated overtime as a means to compete and win against larger firms.

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**C**

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**New Regulations**

On the other hand, based on talks with DoD officials, it appears that new regulations, to be inserted into the DFARS, will require a significant amount of administrative and accounting reporting. That *could* deter contractors from pursuing the uncompensated overtime route. In any event, the new regulations, which have been anticipated for over a year, will require appropriate validation of hours worked beyond the normal 40-hour week. This will provide a means for the government to compare proposals fairly and know if and how much overtime is being bid. These new regulations would not outlaw the uncompensated overtime practice, but would add a paperwork burden that could make a trade-off decision necessary.

INPUT believes that in the shrinking defense business environment, companies will continue to press employees for uncompensated overtime. However, if the government conveys that it is serious about not always awarding to the lowest offeror, this could break the cycle. In fact, this does appear to be true in the Air Force, which has a reputation for awarding on a case-by-case basis for best value. The real test will be the Navy’s response.

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**D**

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**Time and Materials Contracts**

Time and materials (T&M) contracts are often vehicles for bidding uncompensated overtime. They allow a contractor to bid a given number of hours of specified labor positions for a total price.

Nevertheless, these contracts often change after award when the winner cannot hire employees at the bid rates and submits new labor categories at higher rates. If the government approves these new rates (and, apparently, does so frequently), the contractor has effectively bid at a lower rate and charged the government at a higher rate—a classic “bait and switch.”

However, if the government disapproves, chances are the contractor won’t be able to make a profit and the government may not actually get the work done. Both lose. Exhibit IV-2 recaps the trends discussed in this chapter.

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**EXHIBIT IV-2****Summary**

- Best value acceptance
- CICA modified
- Small versus large companies
- New regulations—increased documentation
- T&M—“bait and switch”

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**E**

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**Conclusions**

INPUT recommends that companies gain a strong understanding of the government’s posture prior to bidding a T&M-type services contract. This applies particularly to the Navy, in which pressures are being introduced to change the traditional “low bid wins” award pattern. INPUT also recommends that companies be cognizant of the impacts of CICA changes on government source selection procedures.

INPUT expects that the use of T&M-type contracts in their current format will decrease throughout DoD. More services contracts may be tied to the total task price or bundled under other contract vehicles.



INPUT also recommends that professional services firms adjust their internal accounting practices to permit uncompensated overtime. Even if they oppose its use, they need to have the flexibility to apply it when necessary.

INPUT expects that this issue will continue to evolve as more vendors apply the practice and the marketplace becomes even more competitive. INPUT does not expect the government to specifically prohibit this practice. Therefore, companies will need to determine when and under what circumstances they should use the practice.

Exhibit IV-3 lists INPUT's conclusions.

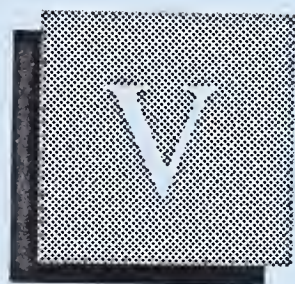
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**EXHIBIT IV-3****Conclusions**

- Know government's posture before bidding
- Expect T&M to decrease
- Adjust accounting systems to permit flexibility
- Assess uncompensated overtime option on case-by-case basis



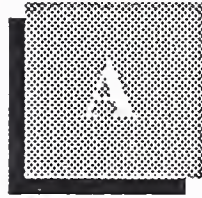




# Appendixes







# Yockey Memorandum

Memorandum for Secretaries of the Military Departments and Directors of the Defense Agencies

Subject: Source Selection Procedures for Professional and Technical Services Contracts

We are concerned by increasing allegations of possible abuses by contractors who price contract proposals with the intention of requiring professional and technical employees to work uncompensated overtime. While contractors may require employees to work uncompensated overtime on any contract, its use has been cited by the technical and professional services industry as being a particular problem on contracts for technical and professional services, particularly where cost bears too high a weight in relationship to other factors considered during the source selection process.

Competitive procurements for professional and technical services should be evaluated and awarded, to the maximum extent practicable, on the basis of best overall value to the Government. The weighting of cost in these competitions must be commensurate with the nature of the services being procured.

When services being procured are of a routine or simple nature, where highly skilled personnel are not required, and where the product to be delivered is clearly defined at the outset of the procurement, it may be appropriate to award to the technically acceptable offeror with the lowest price. However, as the effort being contracted for departs from clearly described, routine types of tasks toward more complex, less clearly defined efforts, the emphasis on cost should lessen and technical quality factors should be given greater emphasis in the award decision. In these cases, factors such as personnel qualifications, approach to sample tasks, management, past performance, and quality should be treated in the source selection process as more important than cost.

The contracting officer, after obtaining an assessment from technical advisers, is in the best position to determine the appropriate weightings for technical and cost factors on individual procurements on a case-by-case basis. Therefore, service or agency policies which are inconsistent with this approach, or which require the contracting officer to obtain approval or to provide justification before establishing the appropriate weightings for technical and cost factors, should be rescinded immediately. This does not preclude management review of solicitations or business clearances.

Additionally, solicitations exclusively for professional and technical services should require that offerors at the prime or subcontract levels identify any hours in excess of forty hours per week included in the proposal, regardless of its accounting form. Contracting officers should ensure that the use of uncompensated overtime will not degrade the level of technical expertise required to fulfill the Government's needs. Offerors shall be advised that proposals which include unrealistically low labor rates, or which do not otherwise demonstrate cost realism, will be considered in a risk assessment and evaluated appropriately.

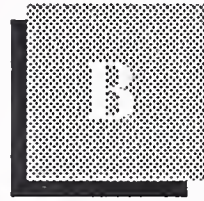
The pertinent language in the Defense Federal Acquisition Regulation Supplement will be revised in the near future to reflect this policy. In the interim, a copy of this memorandum should be provided to contracting officers for immediate use.

Donald J. Yockey  
Deputy Under Secretary of Defense for Acquisition

Distribution:

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## FY 1991 Defense Authorization Act

### SEC. 834, EVALUATION OF CONTRACTS FOR PROFESSIONAL AND TECHNICAL SERVICES

(a) In General - (1) Chapter 137 of title 10, United States Code, is amended by adding at the end the following new section:

“2331, Contracts for professional and technical services.”

“(a) In General - The Secretary of Defense shall prescribe regulations to ensure, to the maximum extent practicable, that professional and technical services are acquired on the basis of the task to be performed rather than on the basis of the number of hours of services provided.”

“(b) Content of Regulations - With respect to contracts to acquire services on the basis of the number of hours of services provided, the regulations described in subsection (a) shall —

- (1) include standards and approval procedures to minimize the use of such contracts;
- (2) establish criteria to ensure that proposals for contracts for technical and professional services are evaluated on a basis which does not encourage contractors to propose uncompensated overtime;
- (3) ensure appropriate emphasis on technical and quality factors in the source selection process;
- (4) require identification of any hours in excess of 40-hour weeks included in a proposal;
- (5) ensure that offerors are notified that proposals which include unrealistically low labor rates or which do not otherwise demonstrate cost realism will be considered in a risk assessment and evaluated appropriately; and
- (6) provide guidance to contracting officers to ensure that any use of uncompensated overtime will not degrade the level of technical expertise required to perform the contract.”

“(c) Waiver of Task Order Limitation - (1) The Secretary of Defense may waive the limitation in section 2304(jX4) of this title on the total value of task orders on a case-by-case basis for specific contracting activities to the extent the Secretary considers necessary the use of master agreements in order to further the policy set forth in subsection (a) of this section.”

“(2) During any fiscal year, such a waiver may not increase the total value of task orders under master agreements of a contracting activity by more than 20 percent of the value of all contracts for advisory and assistance services awarded by that contracting activity during fiscal year 1989.”

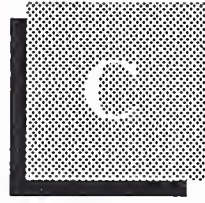
“(3) Such a waiver shall not become effective until 60 days after the Secretary of Defense has published notice thereof in the *Federal Register*.”

“(4) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 2330 the following new item:”

“2331, Contracts for professional and technical services.”

“(b) Regulations - Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall publish for public comment new regulations to carry out the requirements in this section. The Secretary shall promulgate final regulations to carry out such requirements not later than 270 days after the date of the enactment of this Act.”





# Proposed DFAR Changes

## DEPARTMENT OF DEFENSE

48 CFR Parts 215, 237 and 252

Department of Defense Federal  
Acquisition Regulation Supplement;  
Evaluation and Identification of  
Uncompensated Overtime

**AGENCY:** Department of Defense (DoD)

**ACTION:** Proposed rule and request for comments

**SUMMARY:** The Defense Acquisition Regulations (DAR) Council is proposing changes to the Defense FAR Supplement to amend parts 215, 237 and 252 to implement section 834 of the FY 1991 DoD Authorization Act (Pub. L 101-510) which requires, to the maximum extent practicable, DoD to acquire services on the basis of the task to be performed rather than on the basis of the number of hours of services provided.

**DATES:** Comments on the proposed rule should be submitted in writing to the address shown below on or before June 6, 1991, to be considered in the formulation of the final rule. Please cite DAR Case 90-316 in all correspondence related to this issue.

**ADDRESSES:** Interested parties should submit written comments to: Defense Acquisition Regulations Council, ATTN: Ms. Barbara Young, Procurement Analyst, DAR Council, OUSD(A)DP(DARS), Room 3D139, The Pentagon, Washington, DC 20301-3062.

**FOR FURTHER INFORMATION CONTACT:** Ms. Barbara Young,  
Procurement Analyst, DAR Council, (703) 697-7266.

## **SUPPLEMENTARY INFORMATION:**

### **A. Background**

Section 834 of the FY 1991 DoD Authorization Act (Pub. L 101-510) requires the Secretary of Defense to prescribe regulations to ensure, to the maximum extent practicable, that services are acquired on the basis of the task to be performed rather than on the basis of the number of hours of services provided. DFARS 215.605 is amended to require contracting officers to ensure that proposals which include unrealistically low rates, whether based on uncompensated overtime or other techniques, are considered in a risk assessment and evaluated accordingly. DFARS 237.102 is amended by adding DoD policy that services should be acquired, to the maximum extent practicable, on the basis of the task to be performed rather than on a labor-hour basis. DFARS 237.170 is added to provide guidance and prescribe a new solicitation provision and contract clause on uncompensated overtime.

This proposed rule is based on and when finalized will amend the 1991 Edition of DFARS. The 1991 edition is scheduled for publication this summer.

### **B. Regulatory Flexibility Act**

The proposed changes are expected to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 60 *et seq.* An initial Regulatory Flexibility Analysis has been performed. Comments from small entities concerning the affected DFARS section will be considered in accordance with section 610 of the Act. Such comments must be submitted separately and cite DAR Case 90-316 in all correspondence.

### **C. Paperwork Reduction Act**

The proposed rule does impose reporting or recordkeeping requirements which require the approval of OMB under 44 U.S.C. 3501, *et seq.* A request for an information collection requirement will be submitted to OMB for review and approval.

### **List of Subjects in 48 CFR Parts 215, 237 and 252**

Government procurement.

**Nancy L. Ladd**

*Colonel, USAF Director, Defense Acquisition Regulatory Council*



Therefore, it is proposed that 48 CFR parts 215, 237 and 252 which were proposed at 58 FR 6056 on February 14, 1991 would be further amended as follows:

1. The authority citation for 48 CFR parts 215, 237 and 252 continues to read as follows:

Authority: 5 U.S.C. 301, 10 U.S.C. 2202, DoD Directive 5000.35,  
DoD  
FAR Supplement 201.301.

## **PART 215 - CONTRACTING BY NEGOTIATION**

2. Section 215.605 is added to read as follows:

215.606 Evaluation Factors.

- (c) In competitive acquisition of services —

- (1) Evaluation and award should be based, to the maximum extent practicable, on best overall value to the Government in terms of quality and other factors.

- (2) The weighting of costs must be commensurate with the nature of the services being procured.

- (3) It may be appropriate to award to the technically acceptable offeror with the lowest price when —

- (i) Services being procured are of a routine or simple nature.
    - (ii) Highly skilled personnel are not required, and
    - (iii) The product to be delivered is clearly defined at the outset of the procurement.

- (4) It may be appropriate to award to an offeror, based on technical and quality considerations, at other than the lowest price when —

- (i) The effort being contracted for departs from clearly defined efforts, and
    - (ii) Highly skilled personnel are required.

(e) When acquiring services, contracting officers shall ensure that proposals which include unrealistically low rates, whether based on uncompensated overtime or other techniques, which do not otherwise demonstrate cost realism, are considered in a risk assessment and evaluated accordingly. See 237.170 for requirements regarding uncompensated overtime.

## **PART 237 - SERVICE CONTRACTING**

3. Section 237.102 is added to read as follows:

### **237.102 Policy**

To the maximum extent practicable, acquire services on the basis of the task to be performed rather than on a labor-hour basis.

4. Sections 237.170 thru 237.170-2 are added to read as follows:

### **237.170 Uncompensated Overtime**

#### **237.170-1 General**

(a) Uncompensated overtime means the hours worked in excess of the normal 8 hours per day or 40 hours per week by employees who are exempt from the Fair Labor Standards Act (FLSA), without additional compensation. The uncompensated overtime rate is the rate which results from multiplying the hourly rate calculated based on a 40-hour work week by 40 hours divided by the proposed hours per week.

(b) Solicitations shall require offerors to identify uncompensated overtime hours and the uncompensated overtime rate for FLSA-exempt personnel included in their proposals or subcontractor's proposals. If compensated overtime hours are accounted for in indirect rates, the contractor must also disclose that information separately.

(c) The contracting officer shall ensure that the use of uncompensated overtime will not degrade the level of technical expertise required to fulfill the government's needs.

#### **237.170-2 Solicitation provision and contract clause**

(a) Use the provision 252.237-XXXX, Identification of Uncompensated Overtime, in all solicitations for services estimated at \$1,000,000 or more.

(b) Use a clause substantially the same as the clause at 252.237-XXXX, Uncompensated Overtime, in cost-type contracts for services estimated at \$1,000,000 or more.



5. Sections 252.237-XXXX and 252.237-XXXX are added to read as follows:

**252.237-XXXX Identification of Uncompensated Overtime**

As prescribed at 237.170-2(a), use the following provision:

**Identification of Uncompensated Overtime (XXX 1991)**

- (a) Definitions.

As used in this provision -

*Uncompensated overtime* means the hours worked in excess of the normal 8 hours per day or 40 hours per week by employees who are exempt from the Fair Labor Standards Act, without additional compensation.

*Uncompensated overtime rate* is the rate which results from multiplying (1) the hourly rate calculated based on a 40-hour work week by (2) 40 hours divided by the proposed hours per week. For example, 45 hours proposed on a 40-hour work week basis at \$20.00 would be converted to an uncompensated overtime hourly rate of \$17.78 per hour.  $(40 \text{ divided by } 45) \times \$20 = \$17.78$ .

(b) For any hours proposed against which an uncompensated overtime rate is applied, offerors shall identify in their proposals the hours for FLSA-exempt employees in excess of 8 hours per day or 40 hours per week, by labor category, and the uncompensated overtime rate per hour, whether at the prime or subcontract level, regardless of the method for accounting for those hours.

(c) Proposals which include unrealistically low rates, whether based on uncompensated overtime or other techniques, which do not otherwise demonstrate cost realism, will be considered in a risk assessment and evaluated accordingly.

(d) If uncompensated overtime hours are accounted for in indirect rates, the contractor must also disclose that information separately.

(e) Offerors shall include a copy of their corporate policy addressing uncompensated overtime with the proposals.

(End of clause)

## 252.237-XXXX      Uncompensated Overtime

As prescribed at 237.170-2(b), use a clause substantially the same as the following:

### Uncompensated Overtime (XXX 1991)

(a)      The following proposed compensated hours and uncompensated overtime hours will be delivered under this contract:

Labor category	Compensated hours	Uncompensated overtime hours
----------------	----------------------	---------------------------------

(b)      The contractor shall indicate on each invoice the total number of hours provided during the period covered by the invoice and shall separately identify compensated hours and uncompensated overtime hours by labor category. Contractors proposing uncompensated overtime agree that, while individual invoices may vary, final reconciliation of the uncompensated overtime hours will be predicted upon the ratio of compensated and uncompensated hours proposed and the hours delivered and accepted.

(c)      The accounting system of the contractor proposing uncompensated overtime must be acceptable to the Defense Contract Audit Agency and the administrative contracting officer. All hours shall be burdened and in the baseline for the allocation of general and administrative and overhead expenses.

(End of clause)

(FR Doc.91-10678 Filed 5-6-91; 8:45 am)

Billing Code 3610-01-M



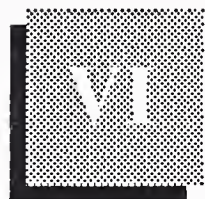


## About INPUT









## About INPUT

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### Company Profile

INPUT provides planning information, analysis, and recommendations to managers and executives in the information services industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

Continuous-information advisory services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services (software products, processing and network services, systems management, and systems/software maintenance and support).

Many of INPUT's professional staff have more than 20 years' experience in their areas of specialization. Most have held management positions in large organizations, enabling them to supply practical solutions to complex business problems.

Formed as a privately held corporation in 1974, INPUT has become a leading international research and consulting firm. Clients include more than 100 of the world's largest and most technically advanced companies.

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- |                            |                         |
|----------------------------|-------------------------|
| • Processing Services      | • Banking and Finance   |
| • Professional Services    | • Insurance             |
| • Turnkey Systems          | • Process Manufacturing |
| • Applications Software    | • Telecommunications    |
| • Field (customer) Service | • Federal Government    |

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### **2. Market Analysis Program—Europe**

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**9. Systems Management Program—Europe**

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**10. Federal Information Systems and Services Program**

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**13. Customer Service Program—International**

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Customer service is an expanding area. Companies are now expanding from hardware service to more software-related maintenance and professional services. This program helps vendors penetrate these new areas and provides guidelines for future market strategy. A monthly newsletter helps clients keep abreast of the latest developments in the market.

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Federal  
Systems and  
Services  
Program  
(FISSP)

# Federal Anti-Drug Program

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**Federal Information Systems and Services  
Program (FISSP)**

***Federal Anti-Drug Program***

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# Abstract

INPUT estimates that Drug Control Program agencies involved in intelligence, interdiction, communications and surveillance operations will spend 12% of their drug control budgets on IT in FY 1991 and FY 1992.

Few drug-war-specific IT initiatives exist at this time. Planning efforts are still embryonic. Security restrictions prevent agencies from disclosing system plans and conducting open competitions. Political turf battles and Congressional inaction have also slowed progress toward the Administration's drug war goals. Success by vendors desiring to enter this market will be primarily dependent on alliances with existing contractors.

This report contains 36 pages, including 18 exhibits.





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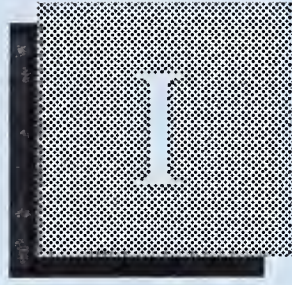
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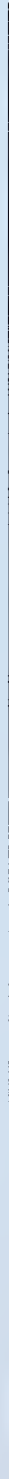
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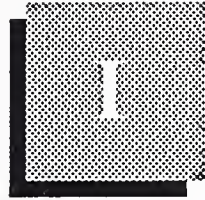


# Introduction









# Introduction

This is a new INPUT report on the Federal Anti-Drug Program. It examines the issues and factors influencing the market potential for information technology vendors in support of drug control program activities.

The report provides an overview of the Federal Anti-Drug Program, and discusses the role information technology is envisioned to play in the drug war. Insight into agency expenditures and factors that impact the market are offered to help vendors plan their marketing strategies to compete for drug war information technology contracts.

The *Federal Anti-Drug Program* is shorter than regular INPUT market analysis reports. For this reason it is considered a market bulletin issued through INPUT's Federal Information Systems and Services Program (FISSP). The report's findings are based on research and analyses of several sources, including:

- Federal agency GFY 1991 Information Technology Budgets
- Interviews with key personnel at federal Drug Control Program agencies
- Issues of the National Drug Control Strategy published in 1989, 1990 and 1991
- Other federal government and public documentation

Most INPUT market analysis reports identify key vendors in the market. However, this report does not include this type of analysis. Agency representatives are reluctant to release specific information on drug war IT initiatives and participating vendors. The security requirements of most drug control information systems prohibit agencies from disclosing contract and contractor information and identifying specific initiatives.

Vendors are also prevented from admitting their contracts. Secrecy is critical to the successful completion of counternarcotics detection, interdiction, and prosecution responsibilities.

## A

### Objective and History of the Federal Anti-Drug Program

In 1988 Congress passed the first important legislation aimed at eliminating the growing drug problem within the United States—the “Anti-Drug Abuse Act of 1988.” The Act’s provisions were intended to create a drug-free America by 1995, and started the drug war in the United States. The war combines interdiction activities, treatment functions, and drug education to prevent illicit drug use at all levels.

It is the intention of the federal government to bring together a broad range of law enforcement, judicial, prosecutorial, penal, intelligence and diplomatic resources to stop illegal drug use in the U.S. Federal agencies have responsibility for drug-related diplomatic and border security programs. They also conduct large-scale criminal investigations; scientific research for prevention, detection, and treatment; and distribute information and partial funding to local law enforcement agencies, treatment and prevention programs.

After the passage of the 1988 Act, the Office of National Drug Control Policy (ONDCP) was created. ONDCP has set up a government-wide planning strategy (the National Drug Control Strategy). The office monitors and coordinates anti-drug initiatives within the U.S. ONDCP’s oversight functions include approval of agencies’ drug control program plans, as well as monitoring and coordination of anti-drug initiatives.

The Anti-Drug Abuse Act of 1988 defines drug control program agencies as “any department or agency and all dedicated units thereof, with responsibilities under the National Drug Control Strategy.” Many agencies, bureaus, and divisions are part of this program. Exhibit I-1 lists the most prominently known agencies involved in interdiction and drug intelligence activities.

Information technology responsibilities for each agency related to fighting the drug war are discussed in Section IV. See Appendix B for a comprehensive list of Drug Control Program agencies.



## EXHIBIT I-1

**Interdiction and Drug Intelligence  
Drug Control Program Agencies**

- Office of National Drug Control Policy
- Department of Justice
  - Drug Enforcement Administration (DEA)
  - Federal Bureau of Investigation (FBI)
  - Immigration and Naturalization Service (INS)
- Department of the Treasury
  - U.S. Customs Service
  - Financial Crime Enforcement Network (FinCEN)
  - U.S. Secret Service
- Department of Transportation
  - U.S. Coast Guard
- Department of Defense
  - Defense Communications Agency (DCA)

**B****Information  
Technology's Role in  
the Federal Anti-Drug  
Program**

Information technology helps agencies to fight the drug war more efficiently. Agencies realize information technology is a critical aide for detection and monitoring of drug activities. Information technology is used to track and identify drug-trafficking patterns. It accelerates the processing of information to enhance the effectiveness of interdiction efforts. Information technology permits drug war fighters to move critical data faster.

Agencies require improvement in information systems to enable high-speed electronic data sharing within and between agencies, as shown in Exhibit I-2. Agencies fighting the drug war share one major deficiency: to date, they have not made critical information accessible in a timely fashion.

## EXHIBIT I-2

### The Role of Information Technology in the Drug War

- Improve intelligence gathering at field and center levels.
- Share intelligence resources at the field and policy level.

Agencies are faced with the need to translate and summarize their intelligence for two groups:

- National officials who formulate strategic policy
- Law enforcement officers involved in interdiction activities

Existing primary intelligence and analysis centers, listed Exhibit I-3, have historically tracked drug activities. Unfortunately, they have shown limited and specialized focus in support of their respective agencies' missions. To resolve this problem, a National Drug Intelligence Center (NDIC) was announced by the Bush Administration in FY 1991. This center will integrate data from the existing intelligence and analysis centers for strategic planning purposes. Currently sponsored by the DoD, the NDIC is still in the development phase, and has received little funding from Congress.

Since the establishment of a National Control Strategy, CNC, FinCEN, and EPIC have succeeded in moving some of the many technical and bureaucratic impediments involved in sharing intelligence information. However, progress is reported to be slow.

In some agencies, agents resist the use of new interdiction equipment. Agents often work undercover, and are reluctant to learn about or experiment with equipment viewed as jeopardizing drug interdiction activities. Computer equipment must also be extremely user-friendly and basically maintenance free. Agents do not have the luxury of time to learn new technology or to cope with equipment that is non-functional.

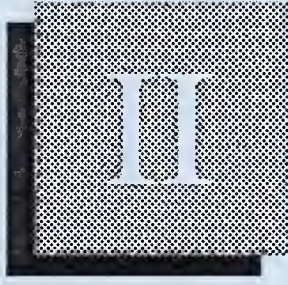
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EXHIBIT I-3**Drug War Intelligence and Analysis Centers**

- DEA's Office of Intelligence
- FBI's Drug Intelligence Unit
- DEA's El Paso Intelligence Center (EPIC)
- Treasury's Financial Crimes Enforcement Network (FinCEN)
- CIA's Counternarcotics Center (CNC)
- DoD's Joint Task Forces (JTFs) and C3I Centers





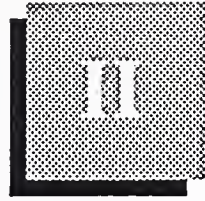


# Executive Overview









## Executive Overview

### A

#### Key Findings

The report's key findings are summarized in Exhibit II-1. Much drug war rhetoric focuses on the needs of federal agencies to improve intelligence gathering and sharing capabilities through information technology. However, few specific IT initiatives exist at this time. Efforts to carry out the goals and objectives outlined in the National Drug Control Strategy have not passed the embryonic stage. Hindered by political turf battles, congressional inaction, and the slow start-up process inherent in most federal programs, the progress of anti-drug war initiatives is slow.

#### EXHIBIT II-1

##### Key Findings

- Few drug-war-specific IT initiatives
- Security restrictions
- Vendors not easily identified
- DoD is lead drug war agency

Comprehensive knowledge about the numbers and types of current systems involved in tracking anti-drug activities is lacking at the national level. Drug war strategists must still identify all existing systems and evaluate their level of security before exchanging data resources across agencies.

The necessity of maintaining systems' security prevents agencies from publicly disclosing specific plans for augmentations or new systems. Security issues also restrict identification of key vendors in the federal IT drug market.

Drug Control Program agencies are upgrading their abilities to store, retrieve, and share information by augmenting the capabilities of their existing systems. If contractor services are needed for hardware, software or professional services, existing contracts are often used.

Traditionally Americans have viewed the Drug Enforcement Administration (DEA) and the U.S. Customs Service as the chief agencies involved in anti-drug activities. Due to inter-agency conflicts and turf battles, the DoD has recently emerged as the best equipped agency in terms of manpower, technical experience, and equipment to lead the drug war. DoD's success in managing secure and sensitive information is well known. Coordination of all border command, control and communications (C3) operations is becoming as a DoD responsibility. The DoD also provides technical and acquisitions support for other Drug Control Program agencies. These functions are expected to increase as DoD's role becomes more prominent in the drug war.

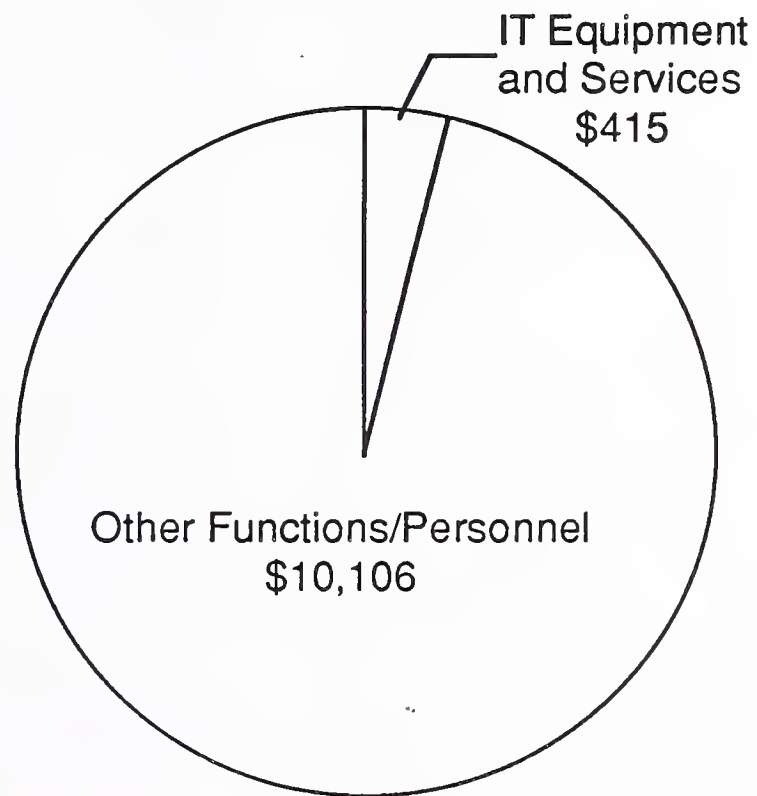
## B

### Forecast

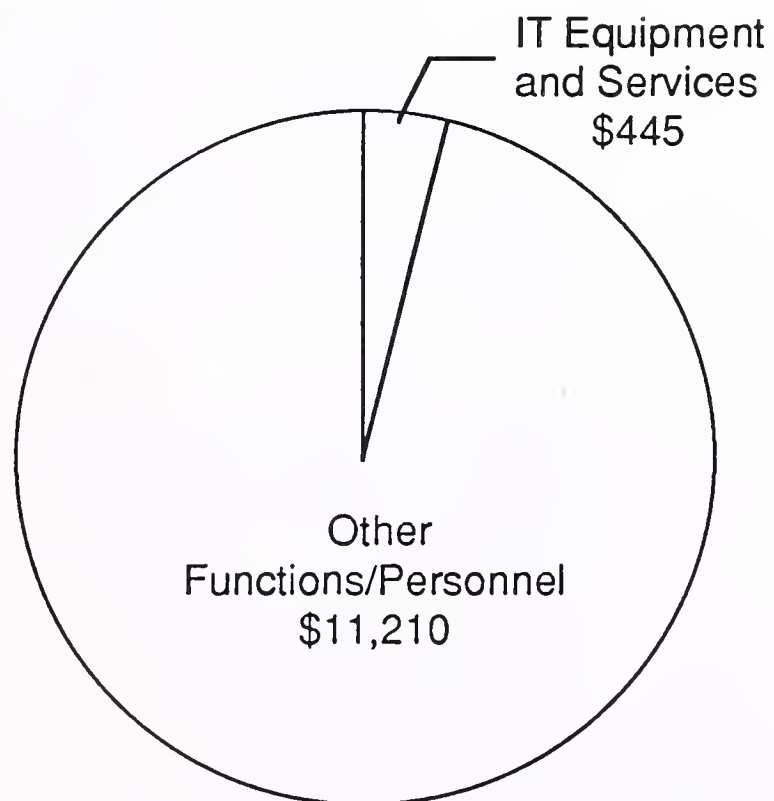
Drug Control Program agencies involved in intelligence, interdiction, communications and surveillance operations rely on information technology to help in these efforts. INPUT estimates that these agencies will spend about 12% of their drug control budgets during FY 1991 and FY 1992 on IT resources and services, as depicted in Exhibit II-2. This amounts to about \$415 million for FY 1991, and \$445 million in FY 1992.

Of the portion to be spent on IT, INPUT predicts that one-quarter will be distributed for traditional ADP equipment and services, with another quarter earmarked for ADP security, and the remaining half for communications services and equipment. Because the current activities of federal anti-drug agencies are in a state of flux, INPUT has no basis for a five-year forecast.

## EXHIBIT II-2

**Agency Estimates for IT Expenditures  
FY 1991 and FY 1992  
(\$ Millions)**

FY 1991



FY 1992



## C

## Market Forces

The forces impacting the market for information technology at Drug Control Program agencies are shown in Exhibit II-3.

The Administration considers the drug war a national priority dedicated to saving the nation's chief resource, people, from the effects of drug use and abuse. The Administration expects to increase political pressure aimed at achieving a drug-free America by 1995. As the Administration pushes harder for additional capabilities, associated agency information technology resources should also be improved or developed.

## EXHIBIT II-3

**Market Forces**

- Presidential pressure
- Congressional inaction
- Intelligence needs
- System security restrictions
- Traffickers' countermeasures

Congress can impede the National Drug Control Strategy by not approving funding, regardless of Presidential priorities. Debate over limiting Congressional authority to delve into secret or sensitive operations poses problems to agencies when seeking budget approval from Congress. Information technology initiatives of the drug war must also be given Congressional priority, if the anti-drug strategy is to be effective by 1995.

Drug war intelligence communities are expected to need additional systems and systems upgrades as they further quantify their resource needs. Most procurements will not be competitive. Intensive security surrounds systems containing sensitive or secret data. During the competitive procurement process, systems specifications and requirements become public information. Conducting an open competition can negate the utility value of a system prior to its implementation.

In this federal IT market, installation and maintenance services are rarely required of vendors because of security issues. Agencies depend on in-house personnel to ensure that systems' security is not breached. Agency personnel perform most systems installation and maintenance functions.

Drug traffickers are improving their countermeasures by using technology to intercept U.S. intelligence communications and to set up new smuggling routes. Correspondingly, Drug Control Program agencies must step up network security, and develop alternate technologies to promote interdiction efforts.

## D

### Recommendations to Vendors

Exhibit II-4 lists INPUT's suggestions for vendors interested in penetrating the IT market at Drug Control Program agencies. First, hardware vendors should educate agency personnel on ease-of-use of equipment aimed at many levels of personnel and on products' technical capabilities. Vendors need to create a demand for their abilities and products by showing tangible benefits to federal customers.

#### EXHIBIT II-4

### Recommendations to Vendors

- Promote technology to agencies
- Emphasize systems integration and programming services
- Establish subcontracting alliances
- Pursue funded initiatives

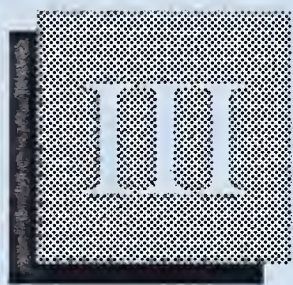
Second, vendors should emphasize their systems integration and programming experience to agencies. Many Drug Control Program agencies must upgrade existing systems and data resource sharing requirements while facing a shortage of in-house technical staff to perform these tasks.

Vendors need to promote subcontracting alliances with those who have current contracts with program agencies when so advised. Most contractor services for augmentations and enhancements are provided through existing contracts.

Finally, vendors should pursue identified initiatives. Additional marketing efforts directed at Drug Control Program agencies strengthen agencies' perceptions of vendors. Vendors with positive reputations will more likely win contracts at Drug Control Program agencies.



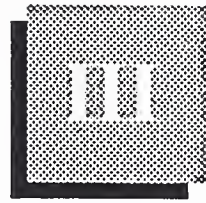




# Market Analysis







## Market Analysis

This section presents INPUT's forecast for FY 1991 and FY 1992. Factors impacting the market for IT and specific IT opportunities at Drug Control Program agencies are also discussed.

### A

#### Agency Estimates for Information Technology, FY 1991 and FY 1992

The latest National Drug Control Strategy was published in February 1991. It lists the following information technology-related initiatives for federal agencies as National Funding Priorities during fiscal years 1992-1994:

- Improve data collection, research, evaluation, demonstration, and dissemination for education, community action and workplace awareness
- Increase technical and secure communications capabilities for DEA and FBI agents
- Automate DEA reporting capabilities
- Provide additional resources for investigations of drug trafficking
- Enhance interdiction activities in Customs and INS
- Augment the El Paso Intelligence Center through ADP enhancements
- Augment equipment at INS
- Improve ADP of interdiction agencies
- Improve integration of C3I systems within DoD Joint Task Forces



- Increase use of developing technologies
- Increase strategic intelligence capabilities
- Increase counternarcotics intelligence programs with Central American and Caribbean agencies
- Augment overall intelligence efforts

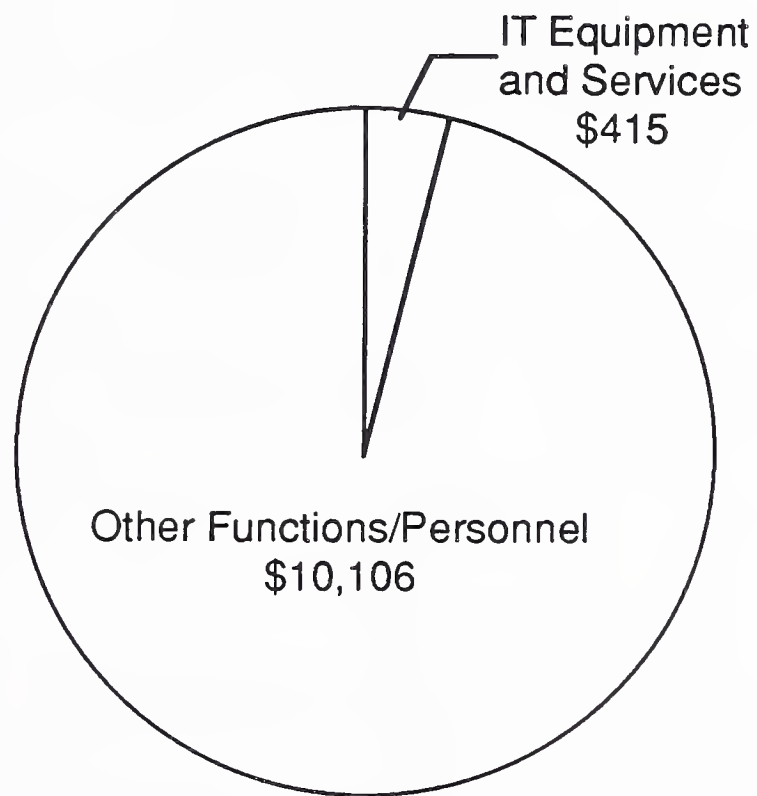
Review of the priorities—in addition to the \$11.7 billion requested for the anti-drug war in the FY 1992 budget—suggests that a number of information technology acquisitions are planned to meet these goals. However, a review of agency A-11 budget submissions for FY 1991 and interviews conducted with key agency officials reveals few specific IT drug war initiatives.

Drug Control Program agencies charged with interdiction, communications, and surveillance responsibilities employ IT to improve intelligence gathering and data sharing resources. These agencies include:

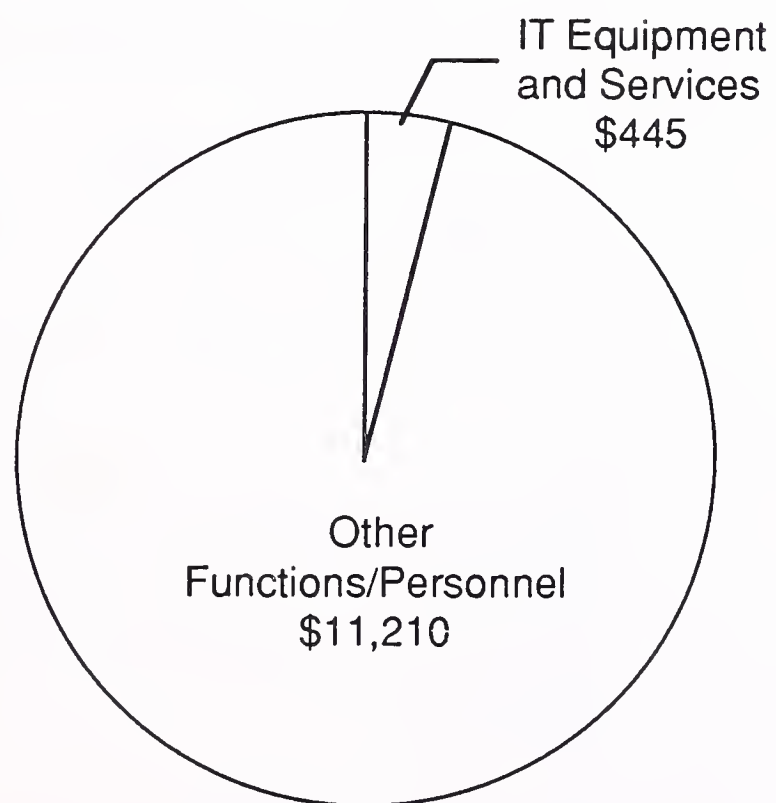
- DEA
- FBI
- INS
- U.S. Customs
- FinCEN
- U.S. Secret Service
- U.S. Coast Guard
- Department of Defense

INPUT estimates that each of these agencies will spend a minimum of 12% of their Drug Control Budgets during FY 1991 and FY 1992 for information technology and services, as shown in Exhibit III-1.

## EXHIBIT III-1

**Agency Estimates for IT Expenditures  
FY 1991 and FY 1992**

FY 1991



FY 1992

Estimated IT expenditures for each of the agencies involved in intelligence, interdiction, communications and surveillance operations are listed in Exhibit III-2. IT spending amounts to about \$415 million for FY 1991, and \$445 million in FY 1992. Although INPUT predicts an increase in IT spending by \$30 million in FY 1992, it is only 3.8% of the 1992 Drug Control Budget.

## EXHIBIT III-2

### Specific Agency Estimates for IT—FY 1991 and FY 1992

Agency/Division	IT Expenditures (\$ Millions)	
	FY 1991	FY 1992
Justice		
DEA	83.3	89.8
FBI	21.0	24.7
INS	16.6	19.4
Treasury		
U.S. Customs Service	72.6	79.6
FinCEN	2.0	2.2
U.S. Secret Service	6.5	4.6
Transportation		
U.S. Coast Guard	79.8	84.5
DoD	132.6	139.0
Total	414.4	443.8

Other program agencies will not come close to spending 12% of their funding on IT equipment or services. They do not focus primarily on intelligence gathering to stop or prevent drug trafficking. Other Drug Control Program agencies' responsibilities are directed at treatment and prevention programs, prosecution, punishment, and law enforcement activities.

Of the portion to be spent on IT, INPUT predicts that one-quarter will be distributed for traditional ADP equipment and services, another quarter is earmarked for ADP security, and the remaining half will be for communications services and equipment. Because the current activities of federal anti-drug agencies are fluctuating, INPUT has no basis for a five-year forecast.



**B****Agency Budget  
Requests**

In the FY 1992 budget, \$11.7 billion is designated for anti-drug war activities and functions by the Drug Control Program agencies. Their requests are summarized in Exhibit III-3.

The budget summary is representative of the integrated drug control system advocated by the National Drug Control Strategy. Many federal agencies are involved. Some departments have both supply and demand reduction functions, while others focus on one activity.

The Departments of Justice, HHS, and Defense expect the highest expenditures during FY 1991 and FY 1992. Many Department of Justice agencies and the DoD concentrate their efforts on supply reduction/interdiction activities. HHS agencies target demand reduction goals through education and community-based prevention programs.

## EXHIBIT III-3

**National Drug Control Budget Summary\***

Agency/Department	\$ Millions	
	1991 Estimate	1992 Request
Office of National Drug Control Policy	105.6	70.2
Department of Justice		
Drug Enforcement Administration	694.3	748.0
Federal Bureau of Investigation	175.0	206.4
Organized Crime Drug Enforcement Task Forces	334.9	402.0
Criminal Division	16.5	18.5
Tax Division	1.1	1.2
U.S. Attorneys	181.5	200.8
U.S. Marshals	201.9	233.4
Prisons	1,034.2	1,383.9
Support of Prisoners	135.1	159.7
Immigration and Naturalization Service	138.3	161.4
Office of Justice Programs	534.6	525.7
Forfeiture Fund	372.0	382.5
INTERPOL	1.4	1.9
Subtotal	3,821.0	4,425.4
Department of the Treasury		
U.S. Customs Service	605.4	663.7
FinCEN	16.5	18.1
Internal Revenue Service	86.9	86.7
Alcohol, Tobacco, & Firearms	117.2	128.3
U.S. Secret Service	53.8	38.6
Federal Law Enforcement Training Center	20.8	15.2
Subtotal	900.6	950.6
Department of Transportation		
U.S. Coast Guard	718.6	704.1
Federal Aviation Administration	29.2	36.0
National Highway Traffic Safety Administration	7.2	7.8
Subtotal	755.0	747.9

\* Source: National Drug Control Strategy, February 1991, Appendix B

## EXHIBIT III-3 (CONT.)

**National Drug Control Budget Summary\***

Agency/Department	\$ Millions	
	1991 Estimate	1992 Request
Department of State		
Bureau of International Narcotics Matters	150.0	171.5
Emergencies in the Diplomatic and Consular Service	0.0	0.5
Agency for International Development	208.3	294.0
U.S. Information Agency	3.8	4.5
Military Assistance	100.4	141.1
Subtotal	462.5	611.6
Department of Agriculture		
Agricultural Research Service	6.5	6.5
U.S. Forest Service	9.7	9.3
Subtotal	16.2	15.8
Department of the Interior		
Bureau of Land Management	6.9	11.2
National Park Service	11.3	12.9
Bureau of Indian Affairs	17.3	20.3
Fish & Wildlife Service	1.0	1.0
Office of Territorial & International Affairs	1.7	1.7
Subtotal	38.2	47.1
Department of Health and Human Services		
ADAMHA	1,370.5	1,477.8
Health Care Financing Administration	190.0	200.0
Centers for Disease Control	29.3	29.3
Indian Health Service	35.3	44.3
Food and Drug Administration	7.4	7.6
Human Development Services	64.6	64.0
Family Support Administration	0.0	0.0
Subtotal	1,697.1	1,823.0

\* Source: National Drug Control Strategy, February 1991, Appendix B



## EXHIBIT III-3 (CONT.)

**National Drug Control Budget Summary\***

Agency/Department	\$ Millions	
	1991 Estimate	1992 Request
Department of Defense Interdiction & Other Activities International (506 (a) & Excess Defense Articles)	1,084.1 21.2	1,158.6 0.0
Subtotal	1,105.3	1,158.6
Department of HUD	150.0	165.0
Department of Education	679.1	713.4
Department of Labor	74.5	83.0
Department of Veterans Affairs	368.2	407.1
ACTION	10.9	11.1
U.S. Courts	337.0	424.4
Total	10,521.0	11,654.8

\* Source: National Drug Control Strategy, February 1991, Appendix B

Within Justice, DEA, FBI, and INS account for 26.4% of FY 1991 estimated expenditures; and for 25.2% of the requested budget for FY 1992, as shown in Exhibit III-4. Three-quarters of the funding for both years is associated with Justice agencies charged with drug war prosecutorial and punishment functions.

Agencies focusing on supply reduction functions use information technology more extensively than other agencies. Supply reduction efforts are supported by the intelligence gathered and analyzed on drug-traffickers. Increased use of new computer-based surveillance and detection equipment helps to stop drug smuggling attempts.

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**EXHIBIT III-4**

**Drug Control Program Agency Budget Summary  
Department of Justice**

Agency/Bureau	FY 1991 Estimate (\$ M)	Percent of Budget	FY 1992 Estimate (\$ M)	Percent of Budget
DEA	694.3	18.2	748.0	16.9
FBI	175.0	4.6	206.4	4.7
INS	138.3	3.6	161.4	3.6
Others	2,813.4	73.6	3,309.5	74.8
Totals	3,821.0	100.0	4,425.3	100.0

At Treasury, the U.S. Customs Bureau forecasts using 70% of Treasury's FY 1991 and FY 1992 total drug control budget (see Exhibit III-5).

Smuggling detection and surveillance activities at U.S. ports of entry will consume most of Customs' expenditures. FinCEN's request of about \$2 million per year maintains the data services on financial crimes provided by the center.

## EXHIBIT III-5

### Drug Control Program Agency Budget Summary Department of Treasury

Agency/Bureau	FY 1991 Estimate (\$ M)	Percent of Budget	FY 1992 Estimate (\$ M)	Percent of Budget
U.S. Customs	605.4	67.2	663.7	69.8
FinCEN	16.5	1.8	18.1	1.9
Secret Service	53.8	6.0	38.6	4.1
Others	224.8	25.0	230.2	24.2
Totals	900.5	100.0	950.6	100.0

The U.S. Coast Guard anticipates using approximately 95% of Transportation's drug control budget during 1991-1992, as shown in Exhibit III-6. INPUT believes most USCG monies will be spent on trafficking detection and interdiction activities.

## EXHIBIT III-6

### Drug Control Program Agency Budget Summary Department of Transportation

Agency/Bureau	FY 1991 Estimate (\$ M)	Percent of Budget	FY 1992 Estimate (\$ M)	Percent of Budget
U.S. Coast Guard	665.2	94.8	704.1	94.1
Others	36.4	5.2	43.8	5.9
Totals	701.6	100.0	747.9	100.0



DoD requests of about \$1.1 billion for FY 1991 and FY 1992 (see Exhibit III-7) reflect the Pentagon's nationwide responsibility for handling border command, control, and communications (C3) operations.

## EXHIBIT III-7

### Drug Control Program Agency Budget Summary Department of Defense

Agency/Bureau	FY 1991 Estimate (\$ M)	Percent of Budget	FY 1992 Estimate (\$ M)	Percent of Budget
Interdiction and Other Activities	1,084.1	98.1	1,158.6	100.0
Other	21.2	1.9	0.0	0.0
Totals	1,105.3	100.0	1,158.6	100.0

## C

## Market Forces

The forces impacting the market for information technology at Drug Control Program agencies are shown in Exhibit III-8.

## EXHIBIT III-8

### Market Forces

- Presidential pressure
- Congressional inaction
- Intelligence needs
- System security restrictions
- Traffickers' countermeasures

The Administration considers the drug war a national priority dedicated to saving the nation's chief resource, people, from the effects of drug use and abuse. The Administration expects to increase efforts to achieve a drug-free America by 1995. The 1992 budget request of \$11.7 billion is 80% higher than when the current Administration took office. Additional needs now under study include:

- Improved data base management capabilities
- Better network communications
- Use of newer technologies for surveillance activities
- Tighter border control systems
- Strengthening coordination among agencies with border control responsibilities

As the Administration pushes harder for these capabilities, associated agency information technology resources will be improved.

Congress has the power to stifle initiatives by not approving funding, regardless of Presidential priorities. Debate over limiting Congressional authority to delve into secret or sensitive operations poses problems to agencies when seeking budget approval from Congress.

Limiting funding for NDIC is an example of Congress impeding an IT drug war initiative, according to the 1991 National Drug Control Strategy. Early funding requests for \$46 million from the Department of Justice failed. Congress finally approved \$10 million in the 1991 Defense bill, and appointed the DoD to set up the NDIC. Congress will need to consider information-technology-based drug war initiatives as top national priorities if the anti-drug strategy is to be effective by 1995.

As the drug war intelligence communities further quantify their resource needs, new systems and systems upgrades will be required. Most procurements will not be competitive. Intensive security surrounds systems containing sensitive or secret data. The competitive procurement process obligates agencies to disclose systems specifications and requirements as public information. Conducting an open competition can negate the utility value of a system prior to its implementation.

Agencies rarely seek installation and maintenance services from vendors because of security issues. Agencies depend on in-house personnel to ensure that systems' security is not breached. Agency personnel perform most systems installation and maintenance functions.

Drug traffickers are improving their countermeasures by employing IT to intercept U.S. intelligence communications and establish new smuggling routes. Drug Control Program agencies must counterattack. Stepped-up network security and alternative technologies will promote interdiction efforts.

## D

### Information Technology Opportunities

The specific IT drug war initiatives that INPUT has identified are listed in Exhibit III-9. A discussion of each system follows the exhibit. INPUT expects that most information technology additions will be made as augmentations or refinements of present agency systems and networks. Agencies will use existing contract vehicles whenever possible to

expedite acquisitions of additional hardware, software, or network services to improve drug war information intelligence resources.

#### EXHIBIT III-9

### IT Initiatives

Agency	Initiative
DoD	- National Drug Intelligence Center (NDIC)
Treasury/Customs	- Interagency Border Inspection System (IBIS) - Treasury Enforcement Communications System (TECS II)
Justice/DEA	- Narcotics & Dangerous Drugs Information System (NADDIS) - El Paso Intelligence Center (EPIC)
Justice/FBI	- Drug Information System (DIS) - National Crime Information Center (NCIC)
Justice/INS	- Non Immigrant Information System (NIIS) - Automated Information System for Criminal Alien Programs (AISCAP)
State	- Consular Lookout and Support System (CLASS)

### NDIC

The National Drug Intelligence Center (NDIC) is now funded by the DoD. Initially, the Department of Justice sponsored the establishment of the NDIC through its Justice Management Division. The NDIC was envisioned as a link between law enforcement and foreign intelligence operations generating strategic long-range intelligence on drug trafficking organizations. Its data resources were to come from the CIA's Counternarcotics Center (CNC), Treasury's Financial Crime Enforcement Network (FinCEN), and DEA's EPIC. Controversy over duplicating efforts performed by other agencies, complaints from civil liberties groups concerning legal and privacy issues, and conflicting directives from Congress prevented the Department of Justice from implementing the NDIC.

Congress recently approved \$10 million requested by the DoD to establish the NDIC. The funding is considerably less than the \$46 million



originally asked by Justice. The DoD is now regarded as the natural agency to set up the NDIC. DoD's mission, and intelligence resources will provide much of the NDIC's information capabilities. The NDIC is now in the early stages of development by the DoD. It will be established as a separate agency positioned outside of the military, and physically located outside of Washington.

It is unknown what portion of the \$10 million will be spent on information technology resources during 1991. However, it will be significantly lower than that anticipated by the Department of Justice (about \$23 million).

## **IBIS**

IBIS, designated as a Presidential Priority System, is an automated support structure to enforce the border inspection mission. The structure includes various information technology components, organizational groups, and the IT support staffs of participating agencies. A steering committee composed of representatives from Customs, INS, State and Agriculture coordinate IBIS functions across agencies.

Major components of IBIS include: the Treasury Enforcement Communications System, an INS LAN connecting ports of entry to the TECS system, and the State Department's Consular Lookout and Support System (CLASS). Other federal data bases and information systems supporting the border inspection mission are also included in the IBIS structure.

The TECS II procurement is currently recompeting contractor programming and maintenance services. LAN equipment and maintenance services sponsored by INS are currently fulfilled through an existing EDS contract. This contract will expire shortly. Additional LAN equipment may be acquired through the DMAC II contract or an upcoming INS procurement.

## **TECS II**

The Treasury Enforcement Communications System is a Customs communications network linking borders, airports and seaports and providing support services to Treasury and other agencies. Programming and maintenance services are performed by a contractor. At the writing of this report, the current PRC contract is being recompeted. An award is expected during June 1991.

## **NADDIS**

The Narcotics and Dangerous Drugs Information System (NADDIS) is a major data base containing DEA investigative efforts. Although the A-11 funding request for NADDIS is over \$25 million for the next five years, equipment enhancements will be accomplished through the DEA's Office Automation procurement. An RFP is expected by December 1991.

## **EPIC**

DEA's El Paso Intelligence Center (EPIC) equipment was scheduled for augmentation in FY 1991. DCA is handling the procurement. As of the writing of this report, the requirements analysis remains incomplete, and the acquisition method is undetermined.

Most DEA systems enhancements are performed through existing DoD/DCA contracts for systems development and hardware. DEA itself receives very little funding.

## **DIS**

Funding for the FBI's Drug Information System (DIS) is incorporated into the Bureau's A-11 request for the Criminal Law Enforcement System (CLES). The FBI initially intended to use contractor services to develop and support DIS. However, agency in-house personnel are performing these functions. At this time, the FBI does not foresee hiring a contractor for this effort.

## **NCIC**

The National Crime Information Center (NCIC) is now scheduled for upgrade by the FBI. After years of delay, Congress authorized \$17 million in FY 1991, and \$56 million in additional funding through FY 1994. An RFP for software development and other professional services is scheduled for release during 3QFY91. The hardware RFP should follow a year later.

## **NIIS**

The INS has requested over \$65 million through FY 1995 for operations, maintenance, systems analysis, programming and engineering, and data entry services for the Non Immigrant Information System (NIIS). Data collection services for NIIS are currently performed by Appalachian Computer Services. The contract will expire in 9/94 if all options are exercised. Its value is expected to be \$51.5 million at that time.

## AISCAP

INS requested \$11 million for equipment, operations, systems design, and programming services for the Automated Information System for Criminal Alien Programs (AISCAP) through FY 1995. The INS has not responded to INPUT's attempts to clarify this system's status.

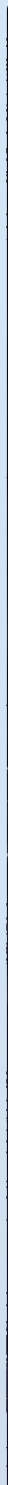
## CLASS

CLASS, the Consular Lookout and Support System, operated by the Department of State, is a major existing data base that was previously known as the Automated Visa Lookout System (AVLOS). Enhancements are not expected at this time.

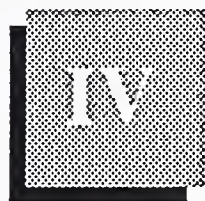




# Agency IT Roles in the Federal Anti-Drug Program







## Agency IT Roles in the Federal Anti-Drug Program

This section discusses federal agencies that are dependent on information technology to provide strategic and tactical intelligence on drug trafficking and interdiction activities. Agencies that have specific drug war-related IT missions are presented in more detail than those that merely utilize information technology to assist in fulfilling their overall mission responsibilities. The Drug Control Program agencies discussed in this section are listed in Exhibit IV-1.

A brief discussion of agency missions and responsibilities as they relate to the use of information technology in the drug war follows.

---

### EXHIBIT IV-1

#### Interdiction and Drug Intelligence Drug Control Program Agencies

- Department of Defense (DoD)
- Office of National Drug Control Policy (ONDCP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Immigration and Naturalization Service (INS)
- U.S. Customs Service
- FinCEN
- U.S. Secret Service
- U.S. Coast Guard



## A

## DoD

The Department of Defense provides intelligence support to counter-drug efforts. Its functions include offering DoD intelligence assets to aid in detection and monitoring activities, assisting law enforcement interdiction efforts, and providing technical support to other Drug Control Program Agencies. DoD Joint Task Forces (JTFs) improve the production and information stream of defense intelligence to law enforcement agencies.

Under Title XI of the FY 1989 Defense Authorization Act, three specific primary missions were assigned to DoD as a Drug Control Program agency, as shown in Exhibit IV-2.

## EXHIBIT IV-2

**DoD Drug Control Mission**

- Integrate U.S. C3I assets into a communications network.
- Monitor and detect all aerial and maritime illegal drug transit into the U.S.
- Provide funds to states to use National Guard resources.

Within DoD, the Defense Communications Agency (DCA—to be re-named Defense Information Systems Agency) has emerged as the lead agency responsible for C3I integration. DCA plays a lesser role in detection and monitoring activities, and a secondary role in supporting National Guard drug war functions.

DCA's Joint Tactical Command, Control and Communications Agency (JTC3A) has provided technical assistance to ONDCP by revising the 1988 National Telecommunications Master Plan for Drug Enforcement (NTMPDE), and developed the Drug Enforcement Telecommunications Implementation Plan (DETIP). The NTMPDE solidifies the communications architecture for federal, state and local government agencies, and the DETIP provides the acquisition strategies for communications systems that will implement the Master Plan.

DCA's Counter-Drug Telecommunications Integration Office (CDTIO), JTC3A, and the Center for Command, Control and Communications Systems (C4S) are actively involved in preparing an Information Protection Guide. The guide is a by-product of the NTMPDE. It is dedicated to resolving information protection issues affecting the myriad of law enforcement agencies.

DCA provides other forms of information systems support to many law enforcement agencies performing counternarcotics activities. These include planning, systems engineering, prototyping, requirements analysis, and acquisitions management. DCA handles most of DEA's systems requirements and acquisitions in addition to providing the funding for systems implementation. The requirements analysis for DEA's El Paso Intelligence Center (EPIC) augmentation is currently being conducted by DCA. DCA will ensure EPIC is in agreement with the NTMPDE.

The DCA office of Counter-Drug Telecommunications Integration (CDTIO) also administers DoD funds intended to improve telecommunications capabilities for the Law Enforcement Agencies.

DCA also supports the DoD commands, their Joint Task Forces (JTFs), and the Joint Staff by providing high-level planning, architectural studies and acquisition support. Current projects include:

- DoD's Anti-Drug Network (ADNET) for the Joint Staff and law enforcement agencies. ADNET is a secure, interoperable C3I network linking EPIC and the JTFs with interdiction command centers.
- A prototype integrated intelligence workstation for the Joint Staff.

## B

### Office of National Drug Control Policy (ONDCP)

The ONDCP was established in January 1989 to create a government-wide planning strategy to effectively fight the nation's war on drugs. ONDCP replaced the National Drug Policy Board. Its responsibilities include monitoring and coordinating all domestic anti-drug initiatives and programs. In this capacity, ONDCP oversees the implementation of the National Telecommunications Master Plan for Drug Enforcement.

To date, ONDCP has published three issues of the National Drug Control Strategy which outlines strategies and summarizes requirements, problems, and drug interdiction progress efforts.

ONDCP's Science and Technology Committee supervises ADP and communications planning and implementation at Drug Control Program agencies.

ONDCP is now targeting fall 1991 to release an Information Management and Communications Architecture Master Plan (IMCAMP), which will integrate its architecture with the communications architecture in the NTMPDE. Law enforcement agency and DoD requirements and capabilities, including information classification and protection components, will be addressed, as well as time-phased improvements and justification for multi-agency budget requests.



## C

## Drug Enforcement Administration

DEA concentrates on ending drug operations in U.S. major trafficking areas. Its Office of Intelligence provides analytical support to DEA enforcement operations within and outside the U.S. DEA's EPIC contains anti-smuggling data from a variety of federal and law enforcement agencies. EPIC's information is primarily tactical, containing arrest and prosecution data on drug traffickers.

## D

## Federal Bureau of Investigation

The Federal Bureau of Investigation is charged with investigating multi-national organized crime networks. Its Drug Intelligence Unit employs information technology to provide analytical information on FBI investigative efforts of major trafficking organizations.

## E

## Immigration and Naturalization Service

The Immigration and Naturalization Service (INS) does not perform drug interdiction activities as a main role. However, the agency is involved in land interdiction activities along with the U.S. Customs Service. Agency information systems are often jointly sponsored with Customs to track and prevent criminal aliens from entering the U.S.

## F

## U.S. Secret Service

The Secret Service functions as a secondary agency in the federal drug control effort. As a major law enforcement agency, it serves on various committees sponsored by the ONDCP. Strictly speaking, it does not have drug enforcement jurisdiction. Rather, its anti-drug activities arise out of its efforts against counterfeiting and credit card fraud, where it does have jurisdiction. Agency information systems track these crimes. Frequently, crimes in these areas tie into drug crimes. In fact, the largest drug seizure on record resulted from a Secret Service investigation into counterfeiting.

## G

## U.S. Customs Service

The U.S. Customs Service acts to prevent drug smuggling at U.S. ports of entry. Agency information systems target drug transportation infrastructures to impede drug-smuggling operations. Use of detection and surveillance technology is critical to Customs' anti-smuggling role, along with advanced networks and computer alert systems to detect smuggling patterns.

## H

## FinCEN

The Financial Crimes Enforcement Network (FinCEN) is a dedicated unit of the Department of the Treasury offering multi-source data access and financial services to federal, state, local and foreign law enforcement agencies. Strategic and tactical data and analyses on financial crimes are tracked.

## I

## U.S. Coast Guard

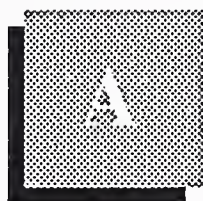
The U.S. Coast Guard performs intelligence, detection and surveillance functions that support maritime and air interdiction operations.



# Appendixes

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## Drug War Partial Acronym List

Acronyms that INPUT encountered most often in drug control documentation and interviews with federal agency officials are included here, but this glossary should not be considered all-inclusive.

ADAMHA	Alcohol, Drug Abuse, and Mental Health Administration (HHS)
ADNET	Anti-Drug Network
AISCAP	Automated Information System for Criminal Alien Programs (INS)
AVLOS	Automated Visa Lookout System (State)
C3I	Command, Control, Communications, and Intelligence
C4S	Center for Command, Control, and Communications Systems (DCA)
CDTIO	Counter-Drug Telecommunications Integration Office (DCA)
CIWG	Communications Interoperability Working Group (ONDCP)
CNC	Counternarcotics Center (CIA)
DCSO	Defense Communications Systems Organization (DCA)
COTHEN	Customs Over-The-Horizon Network (U.S. Customs)
CTAC	Counternarcotics Technology Assessment Center (ONDCP)

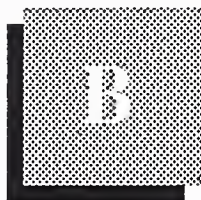


DAWN	Drug Abuse Warning Network
DEA	Drug Enforcement Administration
DETIP	Drug Enforcement Telecommunications Implementation Plan (JTC3A)
DIS	Drug Information System (FBI)
EPIC	El Paso Intelligence Center (DEA)
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network (Treasury)
HIDTA	High Intensity Drug Trafficking Area
IBIS	Interagency Border Inspection System (Customs)
IMCAMP	Information Management and Communications Architecture Master Plan (ONDCP)
JTC3A	Joint Tactical Command, Control and Communications (C3) Agency (DCA)
JTFs	Joint Task Forces (DoD)
LEA	Law Enforcement Agencies
LEDIC	Law Enforcement Drug Intelligence Council (Attorney General's Office)
NADDIS	Narcotics and Dangerous Drugs Information System (DEA)
NCIC	National Crime Information Center (FBI)
NDIC	National Drug Intelligence Center (DoD)
NIDA	National Institute on Drug Abuse (HHS/PHS)
NIIS	Non Immigrant Information Systems (INS)
NTMPDE	National Telecommunications Master Plan for Drug Enforcement (JTC3A)
OCDETF	Organized Crime Drug Enforcement Task Force
ONDCP	Office of National Drug Control Policy
OSAP	Office of Substance Abuse Prevention (HHS)

OTAR	Over-The-Air Rekeying
TECS II	Treasury Enforcement Communications Systems (Customs)







# National Drug Control Program Agencies and Accounts

Office of National Drug Control Policy  
Special Forfeiture Fund

## Department of Justice

Drug Enforcement Administration  
Federal Bureau of Investigation  
U.S. Attorneys  
Tax Division  
Criminal Division  
U.S. Marshals Service  
Bureau of Prisons  
Immigration and Naturalization Service  
Office of Justice Programs  
INTERPOL/U.S. National Central Bureau  
Asset Forfeiture Fund  
Organized Crime Drug Enforcement Task Forces  
Support for Prisoners

## Department of the Treasury

U.S. Customs Service  
Financial Crimes Enforcement Network  
Internal Revenue Service  
Bureau of Alcohol, Tobacco, and Firearms  
U.S. Secret Service  
Federal Law Enforcement Training Center

## Department of Transportation

U.S. Coast Guard  
Federal Aviation Administration  
National Highway Traffic Safety Administration

## Department of Agriculture

Agricultural Research Service  
U.S. Forest Service

## Department of the Interior

Bureau of Land Management  
National Park Service  
Bureau of Indian Affairs  
Fish and Wildlife Service  
Office of Territorial and International Affairs

## Department of Health and Human Services

Alcohol, Drug Abuse, and Mental Health Administration  
Indian Health Service  
Food and Drug Administration  
Office of Human Development Services  
Centers for Disease Control  
Family Support Administration

## Department of Education

Office of the Assistant Secretary for Elementary and  
Secondary Education  
Office of the Assistant Secretary for Post-Secondary  
Education  
Office of Educational Research and Improvement  
Office of Special Education and Rehabilitative Services

## Department of State

Bureau of International Narcotics Matters  
Bureau of Politico/Military Affairs  
Emergencies in the Diplomatic and Consular Service

## Department of Defense

## Department of Housing and Urban Development

## Department of Labor

## Department of Veterans Affairs

## U.S. Judiciary

**ACTION**

Agency for International Development

U.S. Information Agency

Central Intelligence Agency

*Source: National Drug Control Strategy, Appendix C, February 1991*















Federal  
Systems and  
Services  
Program  
(FISSP)

Federal 8(a)  
Program

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**Federal Information Systems and Services  
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***Federal 8(a) Program***

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# Abstract

The federal 8(a) Program, covering hundreds of contracts and thousands of contract actions, has become a substantial element in the federal contract market. It accounts for some \$356 million in fiscal year 1991, primarily in the ADP hardware and software areas. This report describes the 8(a) process, some of its basic characteristics, and current trends.

This market bulletin contains 58 pages, including appendixes and exhibits.





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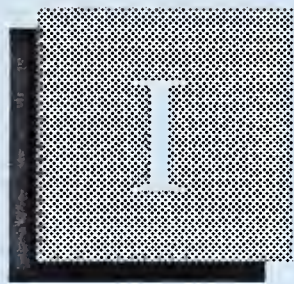
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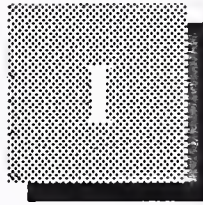


# Introduction









# Introduction

This market bulletin on the federal 8(a) Program has been prepared as a service to INPUT's clients in the Federal Information Systems and Services Program (FISSP). The report identifies and analyzes basic issues pertaining to the Small Business Administration's (SBA's) use of the 8(a) regulations, rules, and procedures for helping minority firms obtain a fair share of federal contracts.

The 8(a) Program phase, INPUT's primary concern, includes ADP and telecommunications equipment and support services, as well as programming, systems analysis, and systems development. It includes federal contracts that are developed through SBA's role as the prime contractor. The 8(a) firms do the actual work as subcontractors to SBA.

## A

---

### Scope

This report includes the description of roles and rules that govern 8(a) firms, leading agencies and leading vendors. Other sources of information have been interviews with SBA personnel, 8(a) participants, and agency managers. Excluded from the information used are general agency surveys and classified activities.

## B

---

### Methodology

Research material for this report was gathered and analyzed from periodicals, government and industry publications, and direct interviews with key figures at SBA and leading 8(a) information technology organizations.

Sources used in this report include:

- Samples of 8(a) awards for 1992 from an agency 8(a) program
- Commercial 8(a) vendors
- 8(a) agency managers
- SBA officials

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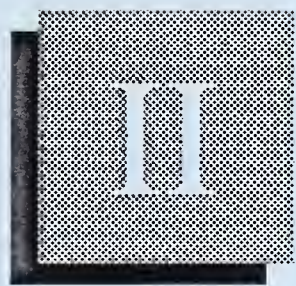
**C**

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**Report Organization**

This report consists of these additional chapters:

- Chapter II—Executive Overview—describes the major points and highlights key findings.
- Chapter III—Program Description—consists of the program descriptions and associated issues.
- Chapter IV—Leading Vendors—contains statistics for leading 8(a) vendors.
- Chapter V—Key Opportunities—presents a list of actual or potential 8(a) programs from INPUT's PAR data base.

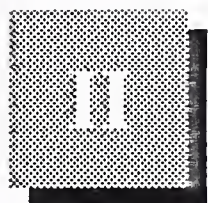


# Executive Overview









## Executive Overview

### A

#### Description

The SBA 8(a) Program was developed as a vehicle for helping minority and small disadvantaged businesses achieve up to a five to eight percent share of federal contracts. This report focuses on the information resources management products and services or information technology area. This area includes the items listed in Exhibit II-1. Professional services includes consulting, software development, and education and training.

#### EXHIBIT II-1

##### Program Areas of Interest

- Computer equipment
- Telecommunications
- Networking
- Professional services

Because the 8(a) contracts are negotiated on the basis of the 8(a) firms' certified SIC code status, the applicable codes must first be clear to all parties—the 8(a) firms, prime contractors, and agencies.

## B

## Issues

There are two phases within the current designation of 8(a) Program life. The first phase—years one through four—is designated as the developmental phase. During this time, all efforts focus on achieving maximum technical skill and market penetration. Phase two—years five through nine—is designed to be the transition phase, culminating in graduation from the 8(a) Program. At this point the contractor should be positioned and fully competent in the competitive environment.

The SBA 8(a) Program seeks to determine what can be done to assure the 8(a) vendor the best chance at competitive success. Measures currently employed include forcible persuasion to broaden the mix of products and services. Another strategy is to carefully advise and consult with the 8(a) minority firms on their pricing structures and the various pricing multiples they will encounter. Exhibit II-2 provides an example of the broadening mix of 8(a) information technology products and services.

## EXHIBIT II-2

### 8(a) Products and Services

Development Phase (4 years)		Transition Phase	
SIC Code	SIC Description	SIC Code	SIC Description
3575	Computer terminals	3572	Storage devices
5044	Office equipment	7376	Facilities management
7341	Programming services	7372	Prepackaged software
		7375	Information retrieval service
		4899	Communications services
		4822	Telecommunications



As pointed out above, qualifying firms are granted nine years in the 8(a) Program. Previously, companies were allowed to remain in the program indefinitely and were removed depending on their growth and size. This ambiguity created uncertainty, thus the fixed development and transition time are a welcome improvement. These are the types of issues that will result in evolutionary changes.

## C

### Leading Agency Users

In April 1991, OMB's Office of Federal Procurement Policy (OFPP) gave the SBA authority to pressure agencies into giving contracts to small businesses. The OFPP sets governmentwide goals that agencies must meet each year. The new policy is aimed at increasing the use of 8(a) contractors and other small businesses by federal agencies.

Although 8(a) firms are not utilized as frequently as the SBA would prefer, a variety of agencies take advantage of these minority companies. Exhibit II-3 lists the top agency users of 8(a) contractors for each information technology market segment.

EXHIBIT II-3

Leading Agency Users	
Market Segment	Agency
ADP Equipment	Treasury
Telecommunications Equipment	Transportation
ADP Software	Air Force
ADP Systems Development	Navy
ADP Systems Analysis	GSA
Programming Services	HUD

## D

## Leading 8(a) Vendors

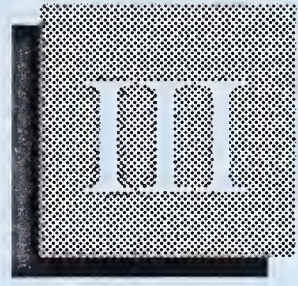
The 8(a) Program has resulted in significant federal contracts. Exhibit II-4 lists the leading vendors in six major categories.

## EXHIBIT II-4

## Leading 8(a) Contractors

Category/Vendor	FY 1989 (\$000)	FY 1990 (\$000)
ADP Equipment Systems Management American Corp.	10,012	9,449
Telecommunications RJO Enterprises	341	7,892
ADP Software Entek	5,401	2,067
Systems Development National Systems & Research	6,856	7,899
Systems Analysis Applied Technology Assoc.	0	3,120
Programming Services Software Control International	0	2,172

The leading contractors generally spread their work around multiple agencies, so most agencies make fluctuating use of outside contractors. More frequently, the agencies contract for five- and six-year contracts and may, at times (as with EPA for example), evolve into cycles of having most of their major IRM long-range contracts awarded at the same time.

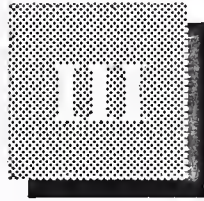


# Program Description









## Program Description

### A

#### Purpose

---

The purpose of the SBA 8(a) Program is to help minority small businesses in the U.S. achieve a fair share (between five and eight percent) of the information technology market with U.S. government agencies. In order to accomplish its purpose, SBA diligently tries to bring all 8(a) contractors up to a uniform level of competence and demonstrated capability. Through education, training, business loans, research, and counseling, total efforts are dedicated to presenting to the federal information technology market a large number of universally competent and meritorious minority firms with which to do business.

The 8(a) Program is derived from Section 8(a) of the Small Business Act (as amended by P.L. 95-507), which authorizes SBA to enter into contracts with other federal agencies for goods and services. Under this program, SBA then subcontracts the performance of the work to small disadvantaged businesses (SDB). These transactions are called 8(a) contracts. They can be awarded either on a sole-source basis or by using limited technical competition. The law requires that 8(a) contract awards be made at fair market prices.

To participate in the 8(a) Program, a small business or SDB must receive SBA approval of a business development plan and be certified by SBA as an 8(a) firm. Appendix A gives a detailed description of 8(a) Program requirements.

Exhibit III-1 lists some specific objectives of the 8(a) Program.

The SBA believes the program will help strengthen the economy by providing jobs and spreading wealth. The program also fosters prosperity among minorities, because it is designed to give an advantage to individuals who historically have been subject to racial and ethnic prejudice.

## EXHIBIT III-1

**Program Objectives**

- Foster business ownership by socially and economically disadvantaged individuals
- Promote the competitive ability of 8(a) firms by providing financial assistance, business loans, counseling, and management
- Clarify and expand the program for the procurement of equipment, supplies, and services

The 8(a) Program provides financial and management guidance to qualified firms. This reduces barriers to the federal marketplace that traditionally isolated minority firms, while increasing competitiveness in contracting.

Furthermore, the 8(a) Program aims to expand the use of minority firms in the federal sector. One example of this expansion is DoD's 5% SDB procurement goal. DoD is diligently striving to annually award 5% of its contract dollars to SDBs, which includes 8(a) firms. Consequently, DoD strongly encourages prime contractors to utilize SDBs and provides advantages in proposal evaluation to companies that comply.

In April 1991, OMB's Office of Federal Procurement Policy (OFPP) gave the SBA authority to pressure agencies into giving contracts to small businesses. The OFPP sets governmentwide goals that must be met by agencies each year. According to OFPP's goals, 20% of all prime contracts are to be awarded to small businesses and 5% of all prime and subcontracts are to go to SDBs.

**B****Process Description**

To gain 8(a) certification, an applicant must meet the criteria established by the SBA's supplement to the U.S. Code of Federal Regulations (CFR). An excerpt from this law appears in Appendix A.

Exhibit III-2 lists the basic 8(a) participation requirements.



## EXHIBIT III-2

**8(a) Eligibility Requirements**

- 51% owned by disadvantaged individual
- Socially disadvantaged
- Economically disadvantaged
- Controlled and managed by the individual deemed disadvantaged
- Qualified as a small business by size standard
- Demonstrated potential for success

In order to be eligible to participate in the 8(a) Program, an applicant's concern must be at least 51% owned by an individual(s) who is a citizen of the U.S., and who is determined to be socially and economically disadvantaged.

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group, without regard to their individual qualities.

Economically disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities.

An applicant concern's management and daily business operations must be controlled by an individual(s) determined to be socially and economically disadvantaged. This is to deter ownership by a minority for use as a figurehead with the express purpose of achieving 8(a) status.

In order to be eligible to participate in the 8(a) Program, an applicant concern must qualify as a small business concern, as defined by *SBA Rules and Regulations*. The particular size standard to be applied is based on the primary industry classification of the applicant concern. Depending on the company's Standard Industrial Classification (SIC) Codes, the size limit may be based on the number of employees or revenue dollars.

Finally, an otherwise eligible applicant concern must be determined as capable of successfully performing subcontracts awarded under the 8(a) Program and to have a reasonable prospect for success in private sector competition.

Every 8(a) Program participant is admitted to the program for a nine-year term. The term consists of a four-year developmental stage and a five-year transitional stage.

Once the 8(a) applicant has completed the necessary interviews and counseling, and its application has complied with the 8(a) rules and regulations, it is finally certified and qualified to participate in the 8(a) Program. A local SBA district office is designated as its official sponsor, through which it is to operate. A business development specialist is assigned to provide the interface between SBA, the 8(a) firm, and the U.S. federal agencies. The 8(a) firm receives official designation of its SIC Codes, where it is certified as having an area of competence and high capability.

Exhibit III-3 lists IS-related Standard Industrial Classification (SIC) Codes, which are a critical element in the entire SBA 8(a) Program. The SIC Codes are evolving; for example, 19 new codes were recently added. Clear, unambiguous understanding and acceptance are critical to the 8(a) Program's success.

## EXHIBIT III-3

### SIC Code Listing for Selected Markets ADP/Telecommunications

SIC Code	SIC Description
3571	Electronic computers
3572	Computer storage devices
3575	Computer terminals
3577	Computer peripheral equipment, NEC
3578	Calculating and accounting equipment
3579	Office machines, NEC
3661	Telephone and telegraph apparatus
3663	Radio and TV communications equipment
3669	Communications equipment, NEC
3695	Magnetic and optical recording media
4812	Radiotelephone communications
4813	Telephone communications, exc. radio
4822	Telegraph and other communications
4899	Communications services, NEC
5044	Office equipment
5045	Computers, peripherals and software
5734	Computer and software stores
7371	Computer programming services
7372	Prepackaged software
7373	Computer-integrated systems design
7374	Data processing and preparation
7375	Information retrieval services
7376	Computer facilities management
7377	Computer rental and leasing
7378	Computer maintenance and repair
7379	Computer-related services, NEC
8243	Data processing schools



## C

## Issues

The SBA 8(a) Program involves various critical issues which are summarized in Exhibit III-4.

## EXHIBIT III-4

**SBA 8(a) Program Issues**

- 8(a) Program life
- Assurance of competition
- Use of 8(a) Program as benchmark
- Tightening policies
- Changes/modification to SIC Codes

From the development phase through the transition period and on, the 8(a) Program is increasingly geared to full and open competition. There will always be some minority firms that regret graduating from a program that grants them preferential treatment. However, the successful 8(a) participant gears himself from the beginning to improve his areas of competence and carefully analyzes his price assessment toward being an open competitor.

Competition among eligible 8(a) participants is conducted by the procuring agencies according to the Federal Acquisition Regulations (FAR). There is no emphasis on price as the dominant criterion. The primary criteria may be based on technical aspects of a solicitation-specific evaluation. This sometimes leads to high cost structures for 8(a) firms.

The 8(a) protocol for dealing with competition is simple and effective. In the case of non-manufactured products, awards over three million dollars are judged to be open for limited competition among 8(a) minority firms. Awards for manufactured products above five million dollars are deemed to be open to limited competition.

Some federal agencies are finding 8(a) contractors useful in benchmarking and assessing performance of prime contractors. One example of this is EPA's Superfund Program, where 8(a) contractor performance is used to measure the performance of prime contractors. EPA found that 8(a) firms,

in many cases, perform better than large prime contractors in the Superfund Program. EPA managers believe these firms are easier to direct because they are smaller and more willing to learn. They also receive extra counseling and training from the SBA that is not available to large contractors. EPA compares the performance of its large contractors to that of its 8(a) firms and feels large contractors should be able to perform as well as small disadvantaged contractors.

Leading 8(a) information technology companies report that there has been a noticeable tightening of SBA's 8(a) policy and procedural matters. Those whom INPUT contacted welcomed this type of change, because it eliminated some potential areas of ambiguity.

One example of the need for tighter policies to prevent problems caused by ambiguity is the necessity for complete and mutual understanding of basic SIC Code categories. In a recent acquisition, an agency had worked with the SBA district office with the understanding that a particular 8(a) had the video conferencing capability and SIC Code certification that were approved. After nine months had elapsed, and at the end of the fiscal year, another part of SBA ruled that the selected 8(a) contractor had *not* been certified in the needed SIC Code. A disastrous situation arose that nearly resulted in financial loss to the company.

Not only has there been a tightening of policies and procedures, but the SIC Codes are also in a state of evolution. They were developed many years ago and their accuracy or applicability to today's technology advancements is sometimes questionable. The correct, or at least the approximation of correct application is critical to the success or failure of many 8(a) minority firms. As an example of the difficulties arising from inaccurate codes, there is no SIC Code for GIS or distributed processing data base management services, nor for high-performance computer capability. The following shows some of the steps SBA has taken to modify and improve the SIC Codes:

- In 1987 the SIC Code manual was revised. Within the service industry alone, 19 new codes were added. In 1988, SIC Code 8731, in particular, was changed. SIC Code 8711 pertains mostly to engineering services, while SIC Code 8731 falls under the industry group for R&D and testing. Code 8711 has size and other limitations, and Code 8731 also has certain restrictions. The size requirements are significantly different. INPUT expects continuing changes, in order to improve SIC Code usability.

## D

## Leading Agencies

Using FY 1990 contract awards, INPUT identified the top agency users of 8(a) contractors for each information technology market segment. INPUT's reference library contains detailed agency-by-agency data of the leading 8(a) firms.

Exhibit III-5 lists the top agency users of 8(a) contractors for ADP equipment in FY 1990. The Treasury Department tops the list with \$13.5 million in FY 1990 contract awards for ADP equipment going to 8(a) firms. Pulsar Credit Corporation was the top 8(a) equipment vendor for Treasury in FY 1990. Pulsar's contracts include a \$717,000 firm-fixed-price contract from the IRS for computers, peripherals, and software.

EXHIBIT III-5

**ADP Equipment—Top Agency 8(a) Users, FY 1990**

Agency	Top Vendor	Total 8(a) Obligations (\$000)
Treasury	Pulsar Credit Corporation	13,553
Air Force	Advanced Integrated Technology	12,226
Army	Accurate Information Systems	11,422
EPA	Systems Management American Corporation	10,770
Navy	Infotec Development, Inc.	6,717

Source: Pinpoint

Exhibit III-6 lists the top agency users of 8(a) contractors for telecommunications equipment in FY 1990. The Transportation Department was the leading agency for FY 1990 8(a) telecommunications contract awards. Transportation's total FY 1990 8(a) obligations for telecom equipment



equaled \$19.7 million. Transportations' top 8(a) telecom vendor for FY 1990 was Communications International. In September 1990, Communications International won a \$5 million contract award from the FAA for miscellaneous communications equipment.

## EXHIBIT III-6

### Telecommunications Equipment Top Agency 8(a) Users, FY 1990

Agency	Firm	Total FY 1990 8(a) Obligations (\$000)
Transportation	Communications Int'l.	19,728
Navy	RJO	16,014
Air Force	Sonicraft	5,251
Veterans Affairs	American Business Communications	3,381
Army	Brown International	3,224

Source: Pinpoint

Exhibit III-7 lists the top agency users of 8(a) contractors for ADP software in FY 1990. The Air Force tops the list with \$2.3 million in FY 1990 contract awards for ADP software going to 8(a) firms. Entek, Inc. was the top 8(a) software vendor for the Air Force in FY 1990. Entek's contracts include a \$2 million contract from Wright Patterson AFB for ADP software.

## EXHIBIT III-7

**ADP Software  
Top Agency 8(a) Users, FY 1990**

Agency	Top Vendor	Total FY 1990 8(a) Obligations (\$000)
Air Force	Entek, Inc.	2,312
NASA	Dual and Associates	1,339
Commerce	General Sciences Corporation	1,155
Other DoD	Automated Information Management	700
Navy	Amerind Corporation	458

Source: Pinpoint

Exhibit III-8 lists the top agency users of 8(a) contractors for ADP systems development in FY 1990. The Navy heads the list with \$41.8 million in FY 1990 contract awards for systems development going to 8(a) firms. National Systems Research Corporation was the top 8(a) Navy contractor for systems development, with \$7.9 million in contract awards from the Navy in FY 1990.

## EXHIBIT III-8

**ADP Systems Development  
Top Agency 8(a) Users, FY 1990**

Agency	Top Vendor	Total FY 1990 8(a) Obligations (\$000)
Navy	National Systems Research	41,849
Energy	Technology Research	14,828
Army	Mitchell Systems Corporation	11,755
Transportation	Micro Computer Systems	7,961
Agriculture	Nyma, Inc.	7,019

Exhibit III-9 lists the top agency users of 8(a) contractors for ADP systems analysis in FY 1990. GSA ranks first among the agencies using 8(a) firms for systems analysis with \$4.5 million in FY 1990 8(a) contract awards in this category. Applied Technology Associates was the top 8(a) GSA contractor for systems analysis with \$3.1 million in contract awards from GSA in FY 1990.



## EXHIBIT III-9

**ADP Systems Analysis  
Top Agency 8(a) Users, FY 1990**

Agency	Top Vendor	Total 8(a) Obligation (\$000)
GSA	Applied Technology Assoc.	4,456
Office of the Secretary of Defense	Graph-Tech, Inc.	3,278
NASA	Information Network Systems	2,506
Labor	Eastern Computers, Inc.	2,393
Navy	Advanced Systems Tech.	2,048

Exhibit III-10 lists the top agency users of 8(a) contractors for programming services in FY 1990. The Department of Housing and Urban Development (HUD) ranks first among the agencies using 8(a) firms for programming services with \$2.2 million in FY 1990 8(a) contract awards in this category. Software Control International was the top 8(a) HUD contractor for programming services in FY 1990. Software Control's contracts include an FY 1987 indefinite delivery contract from the HUD Office of Procurement and Contracting for programming that is still active.

## EXHIBIT III-10

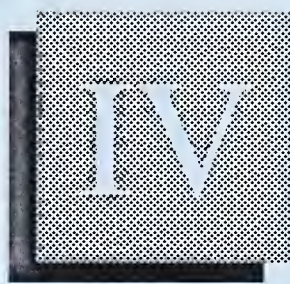
**Programming Services  
Top Agency 8(a) Users, FY 1990**

Agency	Top Vendor	Total FY 1990 8(a) Obligations (\$000)
HUD	Software Control Int'l.	2,172
Navy	Computer Dynamics, Inc.	1,426
Agriculture	Management Assistant Corp.	356
NASA	Core Industries	303
Department of Veterans Affairs	General Sciences Corp.	293

INPUT believes many opportunities exist for 8(a) contractors within all federal agencies and with prime contractors. This is especially true because of OMB's and SBA's push to utilize small businesses and SDBs. Pressure to award contracts to these companies is increasing, which will lead to more information technology opportunities for 8(a) companies in the future.



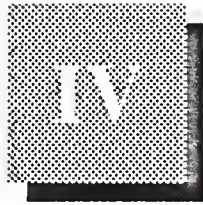




## Leading Vendors







## Leading Vendors

This section presents lists of the leading 8(a) vendors for FY 1989 and FY 1990, according to various federal supply codes. Since some contract actions are entered incorrectly, these lists should not be viewed as all-inclusive. However, they do provide a good indication of the market breadth, as well as the relative ranking of the leading vendors.

### A

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#### ADP Equipment

Exhibit IV-1 lists the ten leading federal 8(a) vendors, ranked by FY 1990 contract awards, for ADP equipment.

Systems Management American (SMA) Corporation dominates the list of 8(a) equipment vendors for FY 1990. SMA is headquartered in Norfolk, VA with a division located in Durham, NC. SMA is one of six subcontractors to Rockwell Space Operations for an Operations Support Contract (OSC) at Johnson Space Center in support of the Space Station Freedom Program. SMA was also awarded a Navy contract in March 1990 to supply spare parts for hard drives at the Ships Part Control Center (SPCC).



## EXHIBIT IV-1

**Leading FY 1990 8(a)  
ADP Equipment Vendors**

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
Systems Management American	10,012	9,449	19,461
Advanced Integrated Technology	684	8,174	8,858
Accurate Information Systems	571	6,140	6,711
Pulsar Credit Corporation	158	6,014	6,172
Edge Systems, Inc.	245	5,644	5,889
Win Laboratories, Ltd.	5,334	4,785	10,119
Network Solutions, Inc.	2,154	4,490	6,644
Computer Dynamics, Inc.	7,238	3,435	10,673
EER Systems Corp.	0	2,952	2,952
Nyma, Inc.	3,923	2,627	6,550

## B

### Telecommunications Equipment

Exhibit IV-2 lists the ten leading federal 8(a) vendors, ranked by FY 1990 contract awards, for telecommunications equipment. Total sales in this category for FY 1990 equaled \$45.9 million.

## EXHIBIT IV-2

### Leading FY 1990 8(a) Telecommunications Vendors

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
RJO Enterprises	342	7,892	8,234
Communications Int'l.	8,582	6,245	14,827
Systems Management American	700	5,800	6,500
New Bedford Panoramex	6	4,519	4,525
Industrial Data Link Corp.	1,358	4,000	5,358
American Business Comm.	585	3,767	4,352
Sequa Corp.	20,657	2,928	23,585
Sonicraft, Inc.	2,748	2,670	5,418
Int'l. Creative Data Industries	0	1,687	1,687
Brown Int'l. Corp.	0	1,651	1,651

RJO Enterprises ranks first on the list of 8(a) telecommunications equipment vendors for FY 1990. RJO Enterprises is an information systems and engineering firm providing full life-cycle services in the four specialty areas of telecommunications, computer systems, electronics, and C3. RJO was founded in 1979 and certified as an 8(a) contractor in 1983. An example of an RJO telecom contract is a Navy contract for integration and testing of multiplexers, modems, and a satellite receiving set awarded to RJO in September 1990, potentially worth \$13.4 million over the contract life.

## C

## ADP Software

The 8(a) contract awards for ADP software totaled \$7 million in FY 1990. Exhibit IV-3 lists the ten leading federal 8(a) prepackaged software vendors, ranked by FY 1990 contract awards.

EXHIBIT IV-3

**Leading FY 1990 8(a)  
ADP Software Vendors**

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
Entek, Inc.	5,401	2,067	7,468
Dual & Associates, Inc.	0	1,139	1,139
General Sciences Corp.	1,021	520	1,541
Automated Information Management	0	353	353
Westco Automated Systems Sales	675	315	990
SM Systems and Research Corp.	200	300	500
Research & Data Systems Corp.	178	286	464
Amerind, Inc.	0	248	248
Pulsar Credit Corp.	0	217	217
Eastern Washington University	0	1,130	1,130

Source: Pinpoint



Entek, Inc. ranks first on the list of 8(a) software vendors for FY 1990. Entek's software sales for this time period equaled \$2 million. This is a decrease of \$3.4 million from FY 1989 software sales. However, this drop reflects the drop in total 8(a) software sales from \$21.4 million in FY 1989 to \$7 million in FY 1990.

Entek was founded in 1980 and provides software engineering, systems engineering, acquisition management support, and analysis to federal and private sectors. Entek's FY 1990 awards include a \$1.4 million contract for software at Wright Patterson Air Force Base.

## D

### Services

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Services account for approximately one-half the volume of federal 8(a) purchases. Total purchases of 8(a) services in FY 1990 equaled \$145 million. INPUT breaks this market into three groups: systems development, systems analysis, and programming services. Exhibits IV-4 through IV-6 list the top ten vendors for each of these market segments.

Exhibit IV-4 lists the top ten 8(a) vendors for ADP systems development in FY 1990. This category maintained the highest value of contract awards among the services with \$123 million worth of awards for FY 1990.

National Systems and Research (NSR) Corporation dominates the list of 8(a) systems development vendors for FY 1990. NSR's systems development sales for this time period were \$7.9 million.

NSR was founded in 1980 as a systems and software engineering firm. Systems development comprises 23% of NSR's business mix. NSR's FY 1990 contract awards include a \$1.3 million Air Force contract for system and software engineering maintenance support to the Command Global Positioning System (GPS).

## EXHIBIT IV-4

**Leading FY 1990 8(a)  
ADP Systems Development Vendors**

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
National Systems and Research	6,856	7,899	14,755
Nyma, Inc.	3,239	6,662	9,901
Research Management Corp.	5,302	6,636	11,938
Technology Research Corp.	5,760	6,241	12,001
World Computer Sys.	4,278	4,242	8,520
Advance, Inc.	552	4,218	4,770
Baham Corp.	2,201	3,286	5,487
Decision Systems Technology	3,214	3,228	6,442
Mitchell Systems Corp.	1,062	3,151	4,213
Mandex, Inc.	230	2,923	3,153

Source: Pinpoint

Exhibit IV-5 lists the leading 8(a) vendors for systems analysis in FY 1990. Total 8(a) systems analysis awards for FY 1990 equaled \$22 million.

## EXHIBIT IV-5

### Leading FY 1990 8(a) ADP Systems Analysis Vendors

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
Applied Technology Associates	0	3,129	3,129
Graph-Tech, Inc.	35	2,855	2,890
Eastern Computers, Inc.	30	2,007	2,037
Advanced Management, Inc.	1,737	1,951	3,688
Information Network Systems	832	1,241	2,073
Advanced Systems Tech.	0	1,190	1,190
Proteus Corp.	840	1,098	1,938
Recom Software, Inc.	0	1,047	1,047
Info Tech Solutions	0	1,008	1,008
Integrated Systems Analysts	902	858	1,760

Source: Pinpoint

Applied Technology Associates ranks first among these systems analysis vendors with \$3.1 million worth of contract awards in FY 1990. Applied Technology is the top 8(a) vendor in this category for GSA. In fact, almost all of its FY 1990 contract awards were from GSA contracts.

Finally, Exhibit IV-6 lists the top ten 8(a) vendors for programming services in FY 1990. The total 8(a) programming market for FY 1990 reached \$4.9 million.



## EXHIBIT IV-6

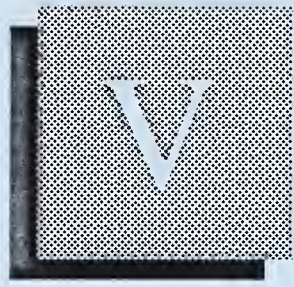
### Leading FY 1990 8(a) Programming Services Vendors

Vendor	FY 1989 (\$000)	FY 1990 (\$000)	Total (\$000)
Software Control Int'l.	0	2,172	2,172
Computer Dynamics, Inc.	0	479	479
Infotec Development	0	361	361
Advanced Data Concepts, Inc.	104	320	424
General Sciences Corp.	97	293	390
Management Assistance Corp.	121	210	331
Lonergan & Associates	0	199	199
Advance, Inc.	0	195	195
Core Industries, Inc.	125	175	300
Comprehensive Technologies	0	154	154

Source: Pinpoint

Software Control International tops the list of vendors with \$2.2 million worth of FY 1990 contract awards in this service category. Software Control was the number one 8(a) vendor at the Department of Housing and Urban Development. One of this company's major contracts was awarded by HUD in FY 1987 and is still in existence. HUD placed 17 actions against this contract in FY 1990.

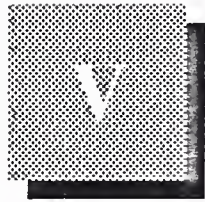
INPUT concludes that the 8(a) Program is a valuable tool for 8(a) vendors, large prime contractors, and the federal government. The 8(a) Program gives its participants, as well as its large teammates, an advantage in the federal contracting arena. The program also provides federal program managers with a method of choosing a specific contract team for his/her procurement purposes.



# Key Opportunities







## Key Opportunities

This section describes possible specific opportunities in the federal market for 8(a) firms. The list consists of programs that are 8(a) set-asides or are being evaluated for competition as an 8(a) procurement. The list of opportunities consists of programs that are typical of the federal market and serves as a representative sample.

### A

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#### Present and Future Programs

New information technology programs that are larger than \$1 million to \$2 million are listed in at least one of the following federal government documents:

- OMB/GSA Five-Year Plan, which is developed from agency budget requests submitted in compliance with OMB Circular A-11
- Agency long-range information resource plans developed to meet the reporting requirements of the Paperwork Reduction Act of 1980
- Agency annual operating budget requests submitted to both Congressional Oversight and Appropriations Committees based on the OMB A-11 information
- *Commerce Business Daily* for specific opportunities, for qualifications as a bidder, and to obtain a copy of the RFP or RFQ
- Five-Year Defense Plan (not publicly available) and the supporting documentation of the separate military departments and agencies

## B

### Federal 8(a) Opportunities by Agency

Program	PAR Number	RFP Date	Funding FY91-FY96 (\$000)
<b>Air Force</b>			
SETA	V-01-157	12/20/91	39,000
Communications and Electronics	V-01-133	*	50,000
SECAP	V-01-149	1/92	75,000
CIASC	V-01-153	*	*
<b>Army</b>			
PERMS Conversion EREC	V-02-072	3/92	14,799
<b>Commerce</b>			
LAN Network	VI-06-039	*	*
SARSAT	VI-06-042	10/1/92	4,993
<b>Education</b>			
Primary Accounting System (PAS)	VII-13-011	10/1/92	1,438
Office Automation	VII-13-015	*	64,484
Campus-Based Processing (CBP)	VII-13-016	10/1/93	9,203
<b>EOP</b>			
Chief Financial Officers Act (CFOA)	VIII-33-001	*	2,130,000

Program	PAR Number	RFP Date	Funding FY91-FY96 (\$000)
<b>FEMA</b>			
Integrated Emergency Mgmt. Info Sys. (IEMIS)	VIII-18-007	*	8,600
<b>GSA</b>			
Contract Services Program (CSP)	VIII-14-010	*	1,417,248
FEDSIM Multiple Award	VIII-14-022	1/94	20,000
IDIQ Contracts (FEDSIM)			
<b>HHS</b>			
NCTR ADP Support	VII-08-052	10/1/92	23,034
Hardware, Software and Support	VII-08-053	10/1/92	8,500
Computer Support for Cancer Center	VII-08-054	10/1/92	7,634
<b>Interior</b>			
Facility Manage- ment Services	VII-09-028	1/1/93	*
<b>Justice</b>			
ADP Support	VII-10-028	10/1/92	7,800
<b>Marines</b>			
Maintenance and Support for ETPS	V-03A-013	1/92	*



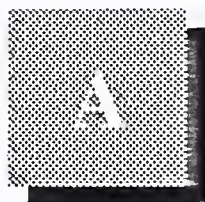
Program	PAR Number	RFP Date	Funding FY91-FY96 (\$000)
<b>NASA</b>			
Pioneer Data Processing O&M Support	VIII-15-092	4/1/92	8,000
<b>Navy</b>			
Information Engineer- ing II (IEII)	V-03-104	*	*
NARDAC Support Services	V-03-126	10/1/94	50,000
OMNIBUS Support 35,000 Services	V-03-131		1/92
<b>VA</b>			
VBA Modernization	VIII-16-011	1/92	220,000

\*Information not available

# Appendixes







## Extract from SBA Rules and Regulations

123.311 8(a) competition.

(a) *Competitive thresholds.* A contract opportunity offered to the 8(a) program for award shall be awarded on the basis of a competition restricted to eligible Program Participants if:

(1) There is a reasonable expectation that at least two eligible program participants will submit offers and that award can be made at a fair market price; and

(2) The anticipated award price of the contract, including options, will exceed \$5,000,000 for contracts assigned manufacturing Standard Industrial Classification (SIC) codes and \$3,000,000 for all other contracts. For purposes of indefinite quantity/delivery contracts, the thresholds will be applied to the guaranteed minimum value of the contract.

EXAMPLE: If the anticipated award price for a professional services requirement is determined to be \$2.7 million and it is accepted as a sole source 8(a) requirement on that basis, a sole source award will be valid even if the contract price arrived at after negotiation is \$3.1 million.

(b) *Effective date of thresholds.* The thresholds specified in paragraph (a) of this section shall not apply to any 8(a) requirement that has been accepted for the 8(a) program prior to October 1, 1989.

(c) *Exemption from competitive thresholds for 8(a) concerns owned by Indian tribes.* SBA may award an 8(a) subcontract on a non-competitive basis to an 8(a) concern owned and controlled by an economically disadvantaged Indian tribe, as defined in 124.100, even if such contract exceeds the competitive thresholds set forth in paragraph (a) of this section. See generally, 124.112. However, once a requirement is accepted into the 8(a) program for competition and prospective offerors have been notified of such acceptance, SBA may not remove the requirement from competition and award it to a disadvantaged Indian tribe as a sole source contract.

(d) *Competition below thresholds.* The AA/MSB&COD may, on a nondelegable basis, approve a request from a procuring agency that an 8(a) contract be competed even if the anticipated award price is not expected to exceed the dollar amounts specified in paragraph (a) of this section. Such approvals will be granted on a limited basis.

(1) This authority will be used primarily in areas where technical competitions are appropriate or when a large number of responsible 8(a) contractors exists.

(2) In determining whether to approve a request to compete an 8(a) contract below the applicable threshold amount, the AA/MSB&COD shall consider whether the requesting agency has made and will continue to make available a significant number of its contracts to the 8(a) program on a noncompetitive basis.

(3) The AA/MSB&COD shall deny a request to compete a contract having a dollar figure below the applicable threshold amount where the requirement was previously offered to the 8(a) program on a noncompetitive basis if he/she concludes that the request is based on the inability of the contracting agency and the Participant selected to perform the contract to reach an agreement on price or some other material term or condition.

(e) *Sole source above thresholds.* Where a contract opportunity exceeds the applicable threshold dollar figure and there is not a reasonable expectation that at least two eligible Program Participants will submit offers at a fair price, SBA may accept the requirement for a sole source 8(a) award if SBA determines that an eligible participant in the 8(a) portfolio is capable of performing the requirement at a fair price.

(1) For purposes of national buy procurements, SBA will accept a contract opportunity above the applicable threshold as a sole source contract only if there are two eligible offerors in the United States capable of performing the requirement at a fair price.

(2) For purposes of local buy procurements, SBA will accept a contract opportunity above the applicable threshold as a sole source contract only if there are not two eligible offerors located in the applicable region or adjacent regions which are capable of performing the requirement at a fair price.

(f) *Procedures for competition.* (a) Competitions among eligible 8(a) participants shall be conducted by the procuring agencies in accordance with the Federal Acquisition Regulation (FAR). Such competitions shall be representative of competitions which are the normal practice in the relevant industries. Competitions need not stress price as the dominant

factor, but may be based primarily on technical evaluations or other non-price related factors. Selection of a particular Program Participant by the procuring agency shall be based on specific evaluation criteria set forth in the solicitation.

(2) All solicitations for competitive 8(a) requirements shall include the appropriate SIC code for the requirement.

(3) The procuring agency shall evaluate offers pursuant to the evaluation criteria in the solicitation and the applicable FAR provisions.

(4) In a sealed bid procurement, the procuring agency shall submit to SBA a list of offerors ranked in the order of their standing for award; i.e., first low, second low, etc., with the total evaluated price for each offer, differentiating between basic and any options. In a negotiated procurement, the procuring agency shall submit to SBA an unranked list of offerors within the competitive range. Actual offered prices in a negotiated acquisition will not be submitted or revealed to SBA. SBA will make business support level and competitive business activity determinations based on the estimated fair market price of the contract.

(5) Within 5 working days after receipt of the list of offerors, the SBA will determine whether any firm identified is eligible for award of the contract, including:

(i) Whether it has the SIC code for the requirement in its approved business plan;

(ii) Whether it is small under the SIC code for the requirement;

(iii) If the firm is in the developmental stage, whether it has exceeded its approved business support level by more than 25 percent (or will exceed such level if it is awarded the contract at issue); and

(iv) If the firm is in the transitional stage, whether it has achieved its competitive business mix targets under 124.312. Failure to achieve the competitive business activity targets will not affect a concern's eligibility for 8(a) competitive awards if SBA and the concern have agreed upon a remedial plan and such plan does not include denial of future 8(a) awards.

(6) If the low bidder in a sealed bid procurement is determined to be ineligible by SBA, SBA shall determine the eligibility of the next low bidder. This process shall be repeated until SBA determines that an identified participant is eligible for award, or until the list is exhausted.



(7) In a negotiated procurement, the procuring agency will evaluate the offers of those firms determined by SBA to be eligible for award pursuant to paragraph (f)(5) of this section and will conduct discussions and/or negotiations with those firms deemed appropriate.

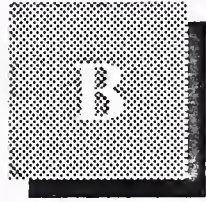
(8) After negotiations and/or discussions occur in a negotiated procurement, the potential awardee will be selected by the procuring agency.

(9) Award shall be made through the normal 8(a) award procedures (i.e., prime contract between the procuring agency and SBA and a subcontract between SBA and the selected 8(a) concern).

(g) *Protest restrictions.* The eligibility of a Program Participant for competitive 8(a) award may not be challenged by another Program Participant or any other party to SBA or to any other administrative forum as part of a bid or other contract protest. Anyone with information concerning the eligibility of a Program Participant to continue participation in the 8(a) program may submit such information to SBA in accordance with 124.111(c).

(h) *Restricted competition* - (a) Competition within stages of program participation. SBA may accept a requirement to be awarded through a competition limited to 8(a) concerns in the developmental stage of program participation or limited to concerns in the transitional stage of program participation, or may accept a requirement to be completed among firms both in the developmental and transitional stages of program participation.

(i) *SIC code requirements.* Only those Participants that have in their approved business plan the SIC code identified in the solicitation may submit offers for the requirement. Other participants will be deemed ineligible for the award.



## 8(a) Business Eligibility Statement





**8(a) BUSINESS ELIGIBILITY STATEMENT--PART I**

OMB Approval No. 3245-0015  
Expiration Date: 11/30/92

Name of Firm \_\_\_\_\_  
Date Submitted \_\_\_\_\_

Representatives and Fees

<b>TO BE COMPLETED BY SBA</b>	
OFFICE RECEIVING APPLICATION	_____
DATE ISSUED	_____
DATE RECEIVED	_____
DATE COMPLETE	_____
DATE FORWARDED TO COD	_____

It is not necessary for an applicant to retain representation to assist in the preparation of this application. If representation is retained, SBA will determine the reasonableness of fees or other compensation for services actually performed by representatives on behalf of the applicant. The Code of Federal Regulations, 13 C.F.R. § 103.13-5, authorizes the suspension or revocation of the privilege of persons to appear before SBA for charging or proposing to charge any fee contingent upon the granting of any benefit to the applicant unless the amount of such fee bears a necessary and reasonable relationship to the services actually performed, any fee which is deemed by SBA to be unreasonable for the services actually performed, or charging of any expenses which are not deemed by SBA to have been necessary in connection with the application.

List the names of attorneys, accountants, appraisers, agents or other representatives who assisted in the preparation or filing of this application. Indicate the total amount of all fees, bonuses, commissions or expenses paid or due. SBA reserves the right to require, at a later date, a full itemization by representatives of actual services rendered. Attach additional sheet(s), if necessary.

NAME AND OCCUPATION REPRESENTATIVE	DESCRIPTION OF SERVICES	TOTAL FEES	
		PAID	DUE

The compensation received by any agent or representative of an 8 (a) applicant for assisting the applicant in obtaining 8 (a) certification must be reasonable in light of the service(s) performed by the agent or representative.

The fee charged by any agent or representative of an 8 (a) applicant for assisting the applicant in obtaining 8 (a) certification cannot be contingent upon the applicant receiving 8 (a) certification.

Signature(s) of Representative(s)	Date
_____	_____
_____	_____
_____	_____

Signature of Applicant	Date
_____	_____

I. BUSINESS INFORMATION:

A. GENERAL

Business Name (Include any trade names)

Street Address for Business

City State Zip Code

County Telephone (Area Code /Number)

Mailing Address of Business (if Different)

Type of Business:

Manufacturing ☐ Construction ☐ Professional Service ☐  
Dealer/Wholesaler ☐ Non-professional Service ☐ Concession ☐

Date Established Fiscal Year Date of Present Ownership  
(Ex.: 10/1 to 9/30)

Has the applicant concern been in business for two full years as evidenced by revenues shown on Federal Tax returns? Yes ☐ No ☐

Legal Structure: Proprietorship ☐ Partnership ☐ Corporation ☐

IRS Employer's ID Number Present Number of Employees (Including Subsidiaries and Affiliates)

B. BUSINESS PROFILE:

1. List the business activities in which you are engaged. Indicate the percentage of your firm's total revenues for the most recently completed fiscal year for each Standard Industrial Classification (SIC) Code:

Description	SIC/Code	% of Total Revenues
Primary*:		
Secondary:		
(List as many as necessary)		
Total (Must equal 100%)		

2. List the business activities in which you are engaged. Also indicate the Standard Industrial Classification Code(s) that describe these activities and the dollar amounts or resources needed over the next 12 month period.

Description	SIC Code	% of Total revenues
Primary*: _____	_____	_____
Secondary: _____	_____	_____

Attach additional sheet if necessary.

Primary industry as defined in 13 C.F.R. § 124.100 "means the four digit Standard Industrial Classification (SIC) code designation which best described the primary industry of the 8 (a) applicant...as defined in part 121 [13 C.F.R]."

### MANAGEMENT INFORMATION

Based on your business structure, provide the following information in sections a., b. or c., below. List the name of each proprietor, partner, officer, director, and each stockholder whether claiming disadvantage or not, plus each employee earning over \$40,000 per year. Please (x) the appropriate space by each name indicating whether the individual is claiming to be socially and economically disadvantaged, and indicate the percentage of ownership, annual compensation and number of hours each person is now working for the applicant concern.

#### A. If a Corporation:

(If more than one class of stock, provide information for each class.)

No. of Shares Authorized: \_\_\_\_\_ No. of Shares Issued: \_\_\_\_\_

##### 1. Owners:

Name	U.S. Citizen		No. Shares	% of Ownership	Claiming Disadvantage	
	Yes	No			Yes	No
a. _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____ %	<input type="checkbox"/>	<input type="checkbox"/>
b. _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____ %	<input type="checkbox"/>	<input type="checkbox"/>
c. _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____ %	<input type="checkbox"/>	<input type="checkbox"/>
d. _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____ %	<input type="checkbox"/>	<input type="checkbox"/>
e. _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____ %	<input type="checkbox"/>	<input type="checkbox"/>

##### 2. Directors:

No. of Directors Authorized in By-Laws: \_\_\_\_\_

No. of Directors Appointed: \_\_\_\_\_

Name	Title	U.S. Citizen		Claiming Disadvantage	
		Yes	No	Yes	No
a. _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



	Name	Title	Yes	No	Yes	No
e.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. All Officers and Individuals Earning in Excess of \$40,000/yr.

	Name/Title	Annual Compensation From Applicant Concern	Hourly Weekly
a.		\$	
b.		\$	
c.		\$	
d.		\$	
e.		\$	

B. If a Partnership:

	Name	U.S. Citizen Yes No	% Ownership	Claiming Disadvantage Yes No
a.		<input type="checkbox"/> <input type="checkbox"/>	%	<input type="checkbox"/> <input type="checkbox"/>
b.		<input type="checkbox"/> <input type="checkbox"/>	%	<input type="checkbox"/> <input type="checkbox"/>
c.		<input type="checkbox"/> <input type="checkbox"/>	%	<input type="checkbox"/> <input type="checkbox"/>
d.		<input type="checkbox"/> <input type="checkbox"/>	%	<input type="checkbox"/> <input type="checkbox"/>
e.		<input type="checkbox"/> <input type="checkbox"/>	%	<input type="checkbox"/> <input type="checkbox"/>

C. If a Sole Proprietor

Owner \_\_\_\_\_ U.S. Citizen Yes ☐ No ☐

D. Has any person listed in Section II ever had a prior business relationship with any other person listed, including spouse and immediate family members? This includes such relationships as employer-employee, supervisor-employee, co-workers, investor-employee, etc. Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, identify the person and describe the relationship below.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

E. Is any person listed in section II an officer or director or more than a 10% owner, stockholder, or partner of another firm in the same or similar line of business as applicant concern? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete

Name/Title

Business Name

Affiliation

1.

2.

3.

- F. Does applicant concern buy from, sell to or use the services or facilities of any other concern in which anyone listed in Section II has a financial or any other interest? Yes \_\_\_\_\_ No \_\_\_\_\_

Name/Title

Business Name

Type of Interest

1.

2.

3.

- G. Is ownership by any individual claiming disadvantage subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, shareholder agreements or other similar arrangements which may impact the unconditional ownership of such individuals? Yes \_\_\_\_\_ No \_\_\_\_\_

- H. Do any non-disadvantaged individuals or firms hold any options to purchase stock or have rights to convert non-voting stock or debentures into voting stock? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, provide a copy of relevant documents.

- I. Does any person or entity listed in Section II have a present ownership interest of greater than 10% in an existing 8(a) concern? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete:

Owner/Title

Business Name

Address

1.

2.

3.

- J. Is any person claiming disadvantage listed in Section II engaged in or planning to be engaged in outside employment? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, list below.

Name/Title

Hours Per Week Engaged in Outside Employment and Nature of Such Employment

1.

2.

3.

- K. Has applicant or anyone listed in Section II claiming disadvantaged status currently or previously participated in the 8(a) program? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete:

Name

8(a) Concern

Date of Application

SBA Office of Record

1.

2.

3. \_\_\_\_\_
4. \_\_\_\_\_

L. Is applicant concern or anyone listed in Section II, including spouse and immediate family members, debarred, suspended, voluntarily excluded or otherwise ineligible for procurement or non-procurement purposes from any department or agency of the Federal Government? Yes \_\_\_\_\_ No \_\_\_\_\_. Attach SBA Form 1623, and if yes, complete:

	<u>Name of Person/Business</u>	<u>Dates of Action</u>	<u>Type of Action</u>	<u>Department or Agency</u>
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____

M. Does a non 8(a) concern in the same or similar line of business (See 13 CFR § 124.100 for definition) have an equity ownership interest of greater than 10% in the applicant concern? Yes \_\_\_\_\_ No \_\_\_\_\_

N. Has any individual claiming disadvantaged status transferred assets to his/her spouse within the last two (2) years? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, list the assets and their value below.

\_\_\_\_\_

\_\_\_\_\_

O. Do you reside in a Community Property State? Yes \_\_\_\_\_ No \_\_\_\_\_

P. Has applicant concern, or anyone listed in Section II, including spouse and immediate family member, ever been an owner, stockholder or guarantor of a concern which has received an SBA loan? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete:

	<u>Name</u>	<u>Business Name</u>	<u>Date Approved</u>	<u>Current Status</u>	<u>SBA Office of Record</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

Q. Does applicant concern have any subsidiaries or affiliates or is it a subsidiary or affiliate of another concern? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete:

	<u>Name and Address of Subsidiary, Affiliate</u>	<u>Description of Relationship</u>
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____



- R. Does any individual listed in Section II not claiming disadvantaged status provide financial or bonding support, licenses or required professional certification to the applicant concern? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, explain nature of assistance and provide any existing agreement governing that relationship. In case of licenses, provide name of individual(s) to whom the license has been issued.

Name of Individual	Type of Support (Financial, Bonding, License, etc.)
_____	_____
_____	_____
_____	_____

- S. Is or was any person listed in Section II, including spouse and immediate family members, an employee of the U.S. Government (including SBA); a member of the Armed Services of the United States; a member of Congress (or staff); an appointed official or employee of the Legislative or Judicial Branch of Government; an appointed consultant of the Administration; a SCORE or ACE volunteer; a member of a Federally funded community organization or a trade or industry association working with SBA? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, provide names and position of any such association, using a separate sheet if more space is required

Name	Details and Dates of Association
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____

- T. Is applicant concern a franchisor or franchisee? Yes \_\_\_\_\_ No \_\_\_\_\_

- U. Does applicant concern or any person listed in Section II have or intend to enter into any type of agreement with any other concern or person which relates to or affects the on-going administration, management or operations of the applicant concern? These include, but are not limited to, management and joint venture agreements, indemnity agreements, and any arrangement or contract involving the provision of such compensated services as administrative assistance, data processing, management consulting of all types, marketing, purchasing, production and other type of compensated assistance. Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, attach a copy of any written agreement or an explanation of any oral or intended agreement and mark as Exhibit A.

- V. Is applicant concern or any person listed in Section II involved in any present or pending lawsuits? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, provide details and mark as Exhibit B.

- W. Has applicant concern or any person listed in Section II been involved in a bankruptcy or insolvency proceeding within the past seven years? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, provide details and mark as Exhibit C.

III. BONDING PROFILE (If applicable)

A. Does applicant concern have current bonding capacity? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, complete:

Name of Surety

Bonding Level  
Single Job Aggregate

B. Largest bond received: \$ \_\_\_\_\_

IV. PRODUCTION PROFILE

1. Floor space (square foot); specify by location, if more than one:

Manufacturing \_\_\_\_\_

Warehouse \_\_\_\_\_

Office \_\_\_\_\_

Other Facilities \_\_\_\_\_

2. Provide a detailed listing of your primary operating equipment by quantity, description, age, condition (good, fair, poor) and original cost. Indicate whether it is leased or owned.

<u>Quantity</u>	<u>Description</u>	<u>Age</u>	<u>Condition</u>	<u>Check One</u>		<u>Original Cost (If Owned)</u>
				<u>Leased</u>	<u>Owned</u>	
_____	_____	_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
_____	_____	_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
_____	_____	_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

V. FINANCIAL PROFILE

A. Access to credit and capital:

Place an (X) mark in the space that most accurately describes your concern's access to credit and capital.

1. Ability to obtain working capital from commercial sources:

\_\_\_\_\_ Financing generally unavailable.  
\_\_\_\_\_ Financing not available at reasonable terms and/or without government guarantees.  
\_\_\_\_\_ Financing available at reasonable terms without guarantees.

2. Ability to obtain long term financing from commercial sources:

- ☐ Financing generally unavailable.  
☐ Financing not available at reasonable terms and/or without government guarantees.  
☐ Financing available at reasonable terms without guarantees.

3. Ability to obtain trade credit for materials and/or supplies:

- ☐ Financing generally unavailable.  
☐ Financing not available at reasonable terms and/or without government guarantees.  
☐ Financing available at reasonable terms without guarantees.

4. Ability to obtain credit terms for equipment:

- ☐ Financing generally unavailable.  
☐ Financing not available at reasonable terms and/or without government guarantees.  
☐ Financing available at reasonable terms without guarantees.

5. Availability of outside equity:

- ☐ Equity capital unavailable.  
☐ Equity capital unavailable at customary terms and conditions.  
☐ Equity capital available at customary terms and conditions.

6. Relative access to competitive markets:

- ☐ Limited penetration of competitive markets.  
☐ Moderate success with competitive market penetration.  
☐ Successful penetration of competitive markets.

7. Ability to obtain bonding, if applicable:

- ☐ Bonding generally unavailable.  
☐ Bonding not available at reasonable terms and/or without government guarantees.  
☐ Bonding available at reasonable terms and/or without government guarantees.

B. Existing bank or trade credit arrangements:

Indicate below, a listing of banks and references:

<u>Name, Address, Telephone No.</u>	<u>Contact Person and Position</u>	<u>Nature and Amount of Credit</u>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>



## VI. AUTHORIZATION, CERTIFICATION AND NOTICES

Read the following paragraphs carefully. Your signature on this 8(a) Business Eligibility Statement indicates acceptance and understanding of these conditions.

- A. Authority to collect personal information: The Small Business Administration is authorized to determine eligibility for the 8(a) Program under Section 124 of Title 13 of the U.S. Code of Federal Regulations. The information submitted on SBA Forms 1010A& B is used to determine personal and business eligibility for the 8(a) Program. Information submitted may be given to Federal, state and local agencies for checking on violations of law.
- B. Effects of nondisclosure: Omission of any information may be cause for this application not receiving timely and complete consideration.
- C. Disclosure of Information: Disclosure of all information submitted in connection with this application to Federal procurement agencies considering furnishing contracts to this business is authorized.
- D. Non-authorized representatives: There are no "authorized representatives" of SBA other than our regular salaried employees. Payment of any fee or gratuity to SBA employees is illegal and may subject the parties to such a transaction to prosecution.
- E. Employment of SBA personnel: Applicant agrees that it will not for a period of two years after any assistance is rendered to it, employ or retain for professional services, any person employed by SBA in a position of discretion one year prior or one year following the date the assistance was rendered.
- F. Access to records: Applicant agrees to allow SBA access and the right to examine corporate records including, but not limited to, books, documents, papers, and other material considered by SBA to be necessary.
- G. Representatives and fees: It is not necessary that applicant retain representation to assist in the preparation and presentation of this application and SBA will determine the reasonableness of fees or other compensation for services actually performed by representatives on behalf of the applicant. The compensation received by any agent or representative of an 8(a) applicant for assisting the applicant in obtaining 8(a) certification must be reasonable in light of the service(s) performed by the agent or representative. The fee charged by any agent or representative of an 8(a) applicant for assisting the applicant in obtaining 8(a) certification cannot be contingent upon the applicant receiving 8(a) certification.
- H. True and complete statements: All information in this 8(a) application, including exhibits, is true and complete to the best of your knowledge and is submitted for consideration of 8(a) eligibility for this concern.
- I. Criminal penalties for false statements: If a statement has been made herein which you know to be false, under provisions of the Small Business Act you may be subject to a fine of not more than \$500,000 or by imprisonment for not more than 10 years or both.

Signature of preparer if other than applicant

Print or typed name of preparer

If applicant is sole proprietor, proprietor must sign below

By: \_\_\_\_\_ Date \_\_\_\_\_

If applicant is a partnership, all partners must sign below

By: \_\_\_\_\_ Date \_\_\_\_\_

By: \_\_\_\_\_ Date \_\_\_\_\_

By: \_\_\_\_\_ Date \_\_\_\_\_

By: \_\_\_\_\_ Date \_\_\_\_\_

If applicant is a corporation, President must sign below and Corporate Secretary must witness signature and affix corporate seal (if required by local statute)

Corporate Seal \_\_\_\_\_ Date \_\_\_\_\_

By: \_\_\_\_\_  
President's Signature

Attested by: \_\_\_\_\_  
Corporate Secretary's Signature

If applicant is a corporation, all officers, directors, and all stockholders of more than 10% must sign below.

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_



## CHECKLIST OF REQUIRED APPLICATION DOCUMENTS

### COMPLETE THE FOLLOWING AND CHECK IF ATTACHED:

#### ALL APPLICANTS:

- ☐ A resume of the education, technical training, and business and employment experience for each officer and key employee including employer's name, dates of employment, and nature of employment. (All time must be accounted for.)
- ☐ A brief description and history of the business.
- ☐ Business organizational chart with name identification and responsibilities.
- ☐ A current balance sheet and profit and loss statement signed by the Chief Executive Officer for the concern no older than 90 days from the filing date of this application, including an aging of accounts receivable and payable.
- ☐ A balance sheet and profit and loss statement for each of the three preceding fiscal year-end periods.
- ☐ Financial Statements of any subsidiaries or affiliates for each of the three preceding fiscal year-end periods.
- ☐ If bonding is required by your industry, a statement of bonding limit from surety company. Statement must specify single job limit and aggregate limit.
- ☐ Statement of line of credit from bank or other financial institution.
- ☐ Copies of any loan agreement(s).
- ☐ Individual federal income tax forms filed for past two years including W-2 forms and all schedules for each owner, partner, officer, director, stockholder, having more than 10% ownership interest, and for all stockholders claiming disadvantaged status for purposes of qualifying the firm for 8(a) participation.
- ☐ Copies of business, Federal Tax returns, including all schedules, filed for the past three years.
- ☐ Copy of lease agreement(s) or proof of ownership of business facilities.
- ☐ Copy of lease agreement(s) for equipment if applicable.
- ☐ Copies of any special licenses.
- ☐ Copies of signature cards for all business bank accounts.
- ☐ SBA Form 1623, "Certification Regarding Debarment, Suspension and other Responsibility Matters."

#### IF A SOLE PROPRIETORSHIP:

- ☐ SBA Form 1010A - 8(a) Personal Eligibility Statement for proprietor claiming social and economic disadvantage.
- ☐ SBA Form 413 - Separate Personal Financial Statements for proprietor and spouse.
- ☐ SBA Form 912 - Statement of Personal History for proprietor, any other person, including a hired manager, who has authority to speak for and commit the concern in the management of the business.

- ☐ Business License (City, County, or State, as required by law)
- ☐ Schedule of business insurances (Comprehensive, Liability, Workmen's Compensation, etc.).
- ☐ Copies of all management and consulting agreements.
- ☐ Copies of business Federal Tax forms, including all schedules, filed for past three years.

IF A PARTNERSHIP:

- ☐ SBA Form 1010A - Personal Eligibility Statement for each partner claiming social and economic disadvantage.
- ☐ SBA Form 413 - Separate Personal Financial Statement for each partner and his/her spouse.
- ☐ SBA Form 912 - Statement of Personal History for each partner and any other person including a hired manager, who has authority to speak for and commit the concern in the management of the business.
- ☐ Partnership agreement, including a buy/sell agreement, if applicable.
- ☐ Schedule of business insurances (Comprehensive, Liability, Workmen's Compensation, etc.)
- ☐ Business License (City, County or State, as required by Law)
- ☐ Copies of all management or consulting agreements.

IF A CORPORATION:

- ☐ SBA Form 1010A - 8(a) Personal Eligibility Statement for each officer, stockholder or director claiming to be socially and economically disadvantaged.
- ☐ SBA Form 413 - Separate Personal Financial Statement for each officer, each director and each stockholder having more than 10% ownership in the applicant firm, and spouse of each such individual.
- ☐ SBA Form 912 - Statement of Personal History for each officer, director and stockholder having more than 10% ownership in the applicant firm, and any other person, including a hired manager, who has authority to speak for and commit the concern in the management of business, and all stockholders claiming to be disadvantaged.
- ☐ Articles of Incorporation.
- ☐ By-Laws, including all amendments.
- ☐ Copies of all minutes of stockholders meetings electing Board of Directors and minutes of last board meeting.
- ☐ Copies of all minutes of Board of Directors meetings and all resolutions of the Board of Directors.
- ☐ Copies of stock certificates (front and back) and stock register.
- ☐ Certificate of good standing from State.
- ☐ Lease agreement.



- ☐ List of affiliates.
- ☐ Schedule of business insurances (Comprehensive, Liability, Workmen's Compensation, etc.)
- ☐ Copies of all management or consulting agreements.

The following "Participation Agreement" includes terms and conditions for your participation in the 8(a) program. It is important that you fully understand the agreements as contained in the agreement. Your eligibility for the program is contingent upon the signing and returning of the agreement to SBA.

### Participation Agreement

In consideration of the benefits of participation in the Small Business Administration's Section 8(a) program, I/we agree to the following terms and conditions of program participation:

#### 1. Financial Data

I/we agree to submit financial statements (balance sheet and profit and loss statements) as required by SBA. I/we acknowledge that submission of such statements is mandatory and a condition of program participation. The profit and loss statements shall indicate separately the amount of sales via 8(a) subcontracts and non-8(a) business. Statement shall be:

- (a) Audited annual statements from an independent qualified public accountant for those concerns with actual gross annual receipts of \$2,500,000 or more.
- (b) Reviewed annual statements from an independent qualified public accountant from those concerns with gross annual receipts of \$1,000,000 to \$2,499,999.
- (c) Annual statements verified as to accuracy by the proprietor or an authorized officer, from those concerns with actual gross annual receipts less than \$1,000,000.
- (d) Quarterly unaudited statements verified as to accuracy by the proprietor, a partner or an authorized officer regardless of amount of gross receipts, which may be prepared internally or by an independent qualified public accountant.
- (e) Audited or reviewed annual and/or quarterly statements may be required from an independent qualified public accountant when the SBA decides it is vital to obtain a more thorough verification of a concern's assets and liabilities.

I/we acknowledge that one cause for termination of an 8(a) concern in the program is failure or refusal to provide SBA with required quarterly and annual financial statements and reports within 90 days after the close of the quarter and any other such reports as SBA may require.

#### 2. Income Tax Returns

I/we agree to submit copies of personal income tax returns for all persons upon whom eligibility is based as well as business income tax returns as required by SBA.

#### 3. Criteria for program termination:

I/we acknowledge that my (our) firm may be terminated from the 8(a) program upon the occurrence of any one or more of the following:

- (a) Failure by the concern to continue to maintain its eligibility for program participation.
- (b) Failure by the concern to maintain its status as a small business under the Small Business Act, as amended, and the regulations promulgated thereunder.



- (c) Failure by the concern for any reason, including the death of an individual upon who eligibility was based, to maintain ownership, full-time day-to-day management, and control by the person(s) who has (have) been determined to be socially and economically disadvantaged.
- (d) Failure by the concern to obtain written approval from SBA for any changes in ownership, management or control.
- (e) Failure by the concern to disclose to SBA the extent to which non-disadvantaged persons or firms participate in the management of the section 8(a) business concern.
- (f) A demonstrated pattern of failing to make required submissions or responses to the Administration in a timely manner, including:
  - (i) Failure by the concern to provide SBA with required quarterly or annual financial statements within 90 days of the close of the reporting period, or required audited financial statements within 180 days of the close of the reporting period. Failure to provide SBA with requested tax returns, reports, or other available data within 30 days of the date of request.
  - (ii) Failure by the concern to submit an updated business plan within 30 days of receipt of request, without an extension of time which has been approved by SBA.
  - (iii) Failure by the concern to provide documents or certifications of continuing eligibility or otherwise respond to requests for information relating to the section 8(a) program from SBA or other authorized government officials within the time frames provided for in the requests.
- (g) Cessation of business operations by the concern.
- (h) Failure by the concern to achieve the goals cited in its original or modified business plan as a result of repeated refusals to accept or utilize SBA assistance.
- (i) Failure by the concern to pursue competitive and commercial business in accordance with the business plan, or failure to make reasonable efforts to achieve competitive status.
- (j) Failure by the concern to engage in business practices that will promote its competitiveness within a reasonable period of time as evidenced by, among other indicators, a pattern of inadequate performance or unjustified delinquent performance or terminations for default with respect to contracts awarded under the authority of section 8(a).
- (k) A pattern of inadequate performance of awarded section 8(a) procurement subcontracts by the concern.
- (l) Failure by concern to pay or repay significant financial obligations owed to the Federal Government.
- (m) Failure by the concern to obtain and keep current any and all required permits, licenses, and charters.
- (n) Diversion of funds or other assets from the section 8(a) business concern for the personal benefit of its disadvantaged owners or any person or entity affiliated with such owners which is detrimental to the achievement of the targets, objectives and goals contained in such Program Participant's business plan.

- (o) Unauthorized use of business development expense funds and/or advance payment funds and/or SBA direct, guaranty or immediate participation loan proceeds; or violation of an advance payment, business development expense agreement, or loan agreement.
- (p) Failure by the concern to obtain prior SBA approval of any management agreement, joint venture agreement or other agreement relative to the performance of a section 8(a) subcontract. Violation of any requirement of a management, joint venture, or other agreement approved by SBA by either the section 8(a) concern or one of the joint venturers.
- (q) Failure by the concern to obtain approval from SBA before subcontracting under a section 8(a) subcontract, or failure by the concern to abide by any conditions imposed by SBA upon such approval.
- (r) Violation by the concern of a section 8(a) subcontract provision which prohibits contingent fees and gratuities; or failure to disclose to SBA fees paid or to be paid, or costs incurred or committed to third parties, directly or indirectly, in the process of obtaining section 8(a) contracts or subcontracts.
- (s) Knowing submission of false information to SBA on behalf of a section 8(a) business concern by its principals, officers, or agents, or by its employees, where the principal(s) of the section 8(a) concern knows or should have known such submission to be false.
- (t) Debarment, suspension, voluntary exclusion or ineligibility of the concern or its principals.
- (u) Conviction of the concern or the individual(s) upon whom 8(a) program eligibility is based for any offense indicating a lack of business integrity including but not limited to:
  - (i) Commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract, or subcontract thereunder, or in the performance of such contract or subcontract.
  - (ii) Violation of the Organized Crime Control Act of 1970 (Public Law 91-452; 84 Stat. 922);
  - (iii) Embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which seriously and directly affects the question of present responsibility as a government contractor;
  - (iv) Violation of any Federal antitrust statute; or
  - (v) Commission of any felony not specifically listed above.
  - (vi) Violation of § 16 of the Small Business Act, (15 U.S.C. § 645)
- (v) Conviction of a non-disadvantaged owner or officer of the concern for any offense described above in reason u, provided that one or more disadvantaged owners or officers of the concern abetted, conspired with or otherwise acquiesced in the owner's or officer's commission of the offense.
- (w) Willful failure on behalf of an 8(a) business concern to comply with applicable labor standards and obligations.
- (x) Violation of any terms and conditions of the 8(a) Program Participation Agreement.
- (y) Willful violation by an 8(a) business concern, or any of its principals, of any rule or regulation of the Administration pertaining to material issues.

#### 4. Discriminatory Prohibitions

I/we give assurance that the concern will comply with Sections 112 and 113 of Title 13 of the Code of Federal Regulations. These code sections prohibit discrimination on the grounds of race, color, sex, religion, marital status, handicap, age or national origin.



## 5. Access to Records

I/we agree to fully cooperate with any and all requests from authorized government officials (including auditors from SBA and other agencies) for examination of business records and any other information deemed necessary by such officials for legitimate program purposes. Furthermore, I/we agree to participate in any interviews which may be requested by such authorized government official(s).

Acceptance of Participation Agreement:

Name of Concern: \_\_\_\_\_

\_\_\_\_\_  
Signature of Owner or Authorized Officer  
of Firm and Title

\_\_\_\_\_  
Date



BUSINESS NAME: \_\_\_\_\_

BUSINESS ADDRESS: \_\_\_\_\_

COMPANY CONTACT, TITLE: \_\_\_\_\_

TELEPHONE NO. (including area code): \_\_\_\_\_

TYPE OF BUSINESS (Check Applicable Box(es):

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Manufacturer or Producer | <input type="checkbox"/> Professional Service   | <input type="checkbox"/> Non-Professional Service |
| <input type="checkbox"/> Construction             | <input type="checkbox"/> Wholesale/Retail Trade | <input type="checkbox"/> Other(Specify)           |

3. LIST PRODUCTS OR SERVICES WHICH THE APPLICANT FIRM NOW PROVIDES:

\_\_\_\_\_  
\_\_\_\_\_

4. WHAT IS THE FIRM'S PRIMARY BUSINESS ACTIVITY STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE? \_\_\_\_\_

5. CONTRACTS HELD WITH FEDERAL GOVERNMENT DURING PAST 2 YEARS:  
(List separately. Use an attachment if more space is needed.)

PROCURING AGENCY	DESCRIPTION	\$ VALUE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. LIST PRODUCTS OR SERVICES IN YOUR PRIMARY INDUSTRY THAT THE APPLICANT FIRM SEEKS TO SELL TO THE FEDERAL GOVERNMENT THROUGH THE 8(a) PROGRAM:

FEDERAL PRODUCT SERVICE CODE (To be completed by SBA)	DESCRIPTION OF PRODUCT OR SERVICE (To be completed by applicant)
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

7. LIST NAMES OF GOVERNMENT CUSTOMER AGENCIES AND CONTRACTING OFFICERS, PROGRAM OFFICIALS OR SMALL BUSINESS SPECIALISTS THAT YOU HAVE CONTACTED REGARDING THE SALE OF YOUR SUPPLIES OR SERVICES. (Attach a separate list if more space is needed.):

NAME	PROCURING ACTIVITY	TELEPHONE

TO BE COMPLETED BY SBA:

☐

LOCAL BUY

☐

NATIONAL BUY

Recommendation of ADD/MSB&COD:

Signature

Date

Finding of Central Office (National Buy Only):

Signature

Date

RECOMMENDATION OF ARA/MSB&COD

Signature

Date

PLEASE NOTE: The estimated burden hours for the completion of this form is 4 hours per response. If you have any questions or comments concerning this estimate or any other aspect of this information collection please contact, William Cline, Chief Administrative Information Branch, U.S. Small Business Administration, 1441 L St. N.W. Washington, D.C. 20416 and Gary Waxman, Clearance Officer, Paperwork Reduction Project (3245-0125), Office of Management and Budget, Washington, D.C. 20503.

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## About INPUT

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### Company Profile

INPUT provides planning information, analysis, and recommendations to managers and executives in the information services industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

Continuous-information advisory services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services (software products, processing and network services, systems management, and systems/software maintenance and support).

Many of INPUT's professional staff have more than 20 years' experience in their areas of specialization. Most have held management positions in large organizations, enabling them to supply practical solutions to complex business problems.

Formed as a privately held corporation in 1974, INPUT has become a leading international research and consulting firm. Clients include more than 100 of the world's largest and most technically advanced companies.

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### Staff Credentials

INPUT's staff have been selected for their broad background in a variety of functions, including planning, marketing, operations, and information processing. Many of INPUT's professional staff have held executive positions in some of the world's leading organizations, both as vendors and users of information services, in areas such as the following:

- Processing Services
- Professional Services
- Turnkey Systems
- Applications Software
- Field (customer) Service
- Banking and Finance
- Insurance
- Process Manufacturing
- Telecommunications
- Federal Government

Educational backgrounds include both technical and business specializations, and many INPUT staff hold advanced degrees.



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## U.S. and European Advisory Services

INPUT offers the following advisory services on an annual subscription basis.

### **1. Market Analysis Program—U.S.**

The Market Analysis Program provides up-to-date U.S. information services market analyses, five-year forecasts, trend analyses, vertical/cross-industry market reports, an on-site presentation, hotline inquiry service, and sound recommendations for action. It covers software products, turnkey systems, processing and network services, and professional services markets. It is designed to satisfy the planning and marketing requirements of current and potential information services vendors.

### **2. Market Analysis Program—Europe**

This program is designed to help vendors of software and services with their market planning. It examines the issues in the marketplace, from both a user and a vendor viewpoint. It provides detailed five-year market forecasts to help plan for future growth.

### **3. Vendor Analysis Program—U.S.**

A comprehensive reference service covering more than 400 U.S. information services vendor organizations, VAP is often used for competitive analysis and prescreening of acquisition and joint-venture candidates. Profiles on leading vendors are updated regularly, and hotline inquiry service is provided.

### **4. Vendor Analysis Program—Europe**

This is an invaluable service for gaining competitive information and for seeking targets for partnerships or acquisitions. The service provides profiles on some 450 European software and services vendors. A hotline enquiry service provides details on companies not covered by the profiles.

### **5. Electronic Data Interchange Program**

Focusing on what is fast becoming a major computer/communications market opportunity, this program keeps you well informed. Through monthly newsletters, timely news flashes, comprehensive studies, and telephone inquiry privileges, you will be informed and stay informed about the events and issues impacting this burgeoning market.

### **6. Network Services Program—Europe**

Network services is a fast-growing area of the software and services industry. This program is essential to vendors of EDI, electronic information services, and network products and services, keeping clients informed of the latest developments in the European marketplace.

**7. Systems Integration Program—U.S.**

Focus is on the fast-moving world of systems integration and the provision of complex information systems requiring vendor management and installation of multiple products and services. The program includes an annual market analysis of the U.S. systems integration market, SI vendor profiles and updates, topical market analysis reports, and an annual SI seminar.

**8. Systems Operations Program—U.S.**

This program focuses on the exciting resurgence of the market for outsourcing systems operations. It includes an annual market analysis report of the systems operations market, SO vendor profiles and updates, topical market analysis reports, and an annual SO seminar.

**9. Systems Management Program—Europe**

Systems integration and systems operations (facilities management) are key growth areas for the decade. This program examines these two areas and analyzes current market trends, user needs, and vendor offerings.

**10. Federal Information Systems and Services Program**

This program presents highly specific information on U.S. federal government procurement practices, identifies information services vendor opportunities, and provides guidance from INPUT's experienced Washington professionals to help clients maximize sales effectiveness in the federal government marketplace.

**11. State Information Systems and Services Program (proposed)**

This program presents extensive information on state government spending, procurement policies, identifies key contacts, opportunities, and provides guidance from INPUT's experienced professionals to help clients maximize sales opportunities in the state government marketplace.

**12. Information Systems Program**

ISP is designed for executives of large information systems organizations and provides crucial information for planning, procurement, and management decision making. This program is widely used by both user and vendor organizations.

**13. Customer Service Program—International**

This program provides customer service organization management with data and analyses needed for marketing, technical, financial, and organizational planning. The program pinpoints user perceptions of service received, presents vendor-by-vendor service comparisons, and analyzes and forecasts service markets for large systems, minicomputers, personal computer systems, and third-party maintenance. A monthly newsletter helps clients keep informed of the latest developments in the market.



**14. Customer Service Program—Europe**

Customer service is an expanding area. Companies are now expanding from hardware service to more software-related maintenance and professional services. This program helps vendors penetrate these new areas and provides guidelines for future market strategy. A monthly newsletter helps clients keep abreast of the latest developments in the market.

**15. Worldwide Information Services Market Forecasts**

In 1989 INPUT initiated this research study, which provides an international forecast for the information services market.

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In addition to standard continuous-information programs, INPUT will work with you to develop and provide a customized advisory service that meets your unique requirements.

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INPUT also offers acquisition services that are tailor-made for your requirements. INPUT's years of experience and data base of company information about information systems and services companies have helped many companies in their acquisition processes.

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INPUT'S Executive Advisory Services are built on an effective combination of research-based studies, client meetings, informative conferences, and continuous client support. Each service is designed to deliver the information you need in the form most useful to you, the client. Executive Advisory Services are composed of *varied combinations of the following products and services:*

**Research-Based Studies**

Following a proven research methodology, INPUT conducts major research studies throughout each program year. Each year INPUT selects issues of concern to management. Topical reports are prepared and delivered throughout the calendar year.

**Information Service Industry Reports**

INPUT's Executive Advisory Services address specific issues, competitive environments, and user expenditures relative to:

Software Products  
Processing Services  
Network Services  
Systems Integration  
Systems Operations

Professional Services  
Turnkey Systems  
Small-Systems Service  
Third-Party Maintenance  
Large-Systems Service



**Industry-Specific Market Reports**

Detailed analyses of market trends, forces driving the markets, problems, opportunities, and user expenditures are available for the following sectors:

Discrete Manufacturing	Insurance
Process Manufacturing	Medical
Transportation	Education
Utilities	Business Services
Telecommunications	Consumer Services
Retail Distribution	Federal Government
Wholesale Distribution	State and Local Government
Banking and Finance	Miscellaneous Industries

**Cross-Industry Market Report**

A separate analysis covers the following cross-industry application areas:

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Education and Training	Planning and Analysis
Engineering and Scientific	Other Cross-Industry Sectors
Human Resources	

**Hotline: Client Inquiry Services**

Inquiries are answered quickly and completely through use of INPUT's Client Hotline. Clients may call any INPUT office (San Francisco, New York, Washington D.C., London, or Paris) during business hours or they may call a voicemail service to place questions after hours. This effective Hotline service is the cornerstone of every INPUT Executive Advisory Service.

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One of the largest and most complete collections of information services industry data, the Information Center houses literally thousands of up-to-date files on vendors, industry markets, applications, current/emerging technologies, and more. Clients have complete access to the Information Center. In addition to the information contained in its files, the center maintains an 18-month inventory of over 130 major trade publications, vendor consultant manuals, economic data, government publications, and a variety of important industry documents.

**Access to INPUT Professional Staff**

Direct access to INPUT's staff, many of whom have more than 20 years of experience in the information industry, provides you with continuous research and planning support. When you buy INPUT, you buy experience and knowledge.

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# GENERAL SERVICES ADMINISTRATION (GSA) SCHEDULE PRACTICES

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U.S.A.

Federal Information Systems and Services  
Program (FISSP)

*General Services Administration (GSA)*  
*Schedule Practices*

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# Abstract

The GSA Multiple Award Schedule Program, covering hundreds of contracts and thousands of contract actions, has become a major element in the federal IRM market. It accounts for hundreds of millions of dollars in contract sales, primarily in the hardware and software areas. This report describes the process, the advantages and disadvantages, and current trends that are likely to affect sales.

This market bulletin contains 34 pages, including appendixes and exhibits.



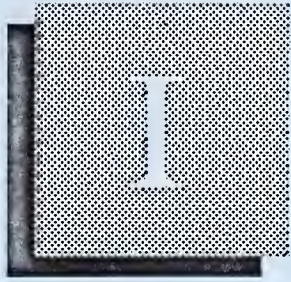


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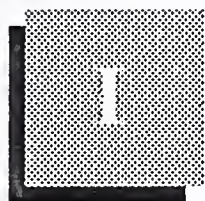


# Introduction

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## Introduction

This market bulletin on GSA Schedule Practices has been prepared as a service to INPUT's clients in the Federal Information Systems and Services Program (FISSP). The report identifies and analyzes basic issues pertaining to the federal government's use of the nonmandatory Multiple Award Schedule (MAS) Program for procuring commercially available ADP equipment and software.

The GSA Schedule Program (which includes microcomputers, minicomputers, mainframes, software, and telecommunications) refers to contracts that are annually negotiated between vendors and GSA and provide a convenient vehicle for federal agencies in acquiring computer resources without having to consider competitive bids. In the past few years, GSA has more rigidly enforced the requirements for Discount Schedule and Marketing Data from offerers. This has sparked a strong reaction from industry, since much of the data GSA requests relate to prices and discounts available to commercial clients. Such information is often proprietary and requires substantial time, effort, and cost to assimilate. Manufacturers selling through value-added resellers (VARs) are reluctant to reveal much of these data, although manufacturers do comply in order to acquire the Schedule listing.

GSA's mission is to negotiate the lowest overall price per unit for federal agencies, so that agencies will buy from the Schedule and take advantage of the volume pricing discounts and terms available. The pricing documentation has become a major item of contention, although it has yet to be challenged in court. (Appendix A contains several sample pages depicting the types of discount information GSA is requiring.)

## A

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Scope	<p>The period covered in this report is 1989 through May 1991. This report focuses primarily on the current status of the schedule practices from government and industry perspectives. Interviews were conducted with GSA officials and industry executives who participate extensively in the GSA Schedule Program.</p> <p>The report features:</p> <ul style="list-style-type: none"> <li>• A description of the GSA Schedule Program and its purpose</li> <li>• Key issues involving GSA-required data from original manufacturers</li> <li>• Status of GSA and industry improvement efforts</li> <li>• Ranking of the leading Schedule suppliers</li> </ul>
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## B

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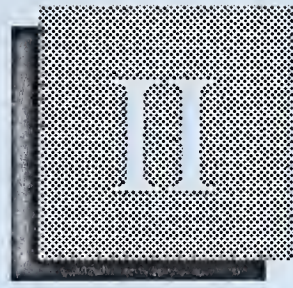
Methodology	<p>Research material for this report was gathered and analyzed from periodical literature, government and industry publications, and direct interviews with key figures at GSA and leading information technology companies.</p> <p>Sources used in developing this report include:</p> <ul style="list-style-type: none"> <li>• Sample Solicitation—ADP Schedules B and C for <i>General Purpose Automated Data Processing Equipment</i></li> <li>• <i>Federal Information Resources Management Regulation</i> (FIRMR, 1990 Revised Edition)</li> <li>• Major trade publications</li> <li>• GSA officials in: <ul style="list-style-type: none"> <li>- The Office of Information Resources Procurement</li> <li>- The Office of Information Resources Management Policy</li> <li>- The Office of Acquisition Policy</li> </ul> </li> <li>• Commercial ADP vendors</li> <li>• Industry Associations</li> </ul>
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## C

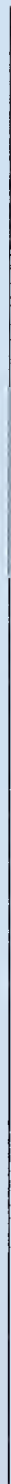
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Report Organization	<p>This report consists of these additional chapters:</p> <ul style="list-style-type: none"> <li>• Chapter II, an executive overview, describes the major points and highlights key findings.</li> <li>• Chapter III describes the Schedule Program and associated issues.</li> <li>• Chapter IV presents revenue statistics for the leading Schedule companies.</li> </ul>
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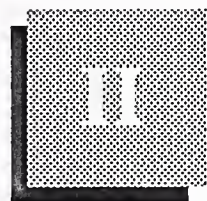




# Executive Overview







## Executive Overview

### A

#### Description

The GSA Multiple Award Schedule (MAS) Program was developed as a contracting vehicle to leverage the buying power of the federal government and gain greater price reductions on commodities. A large portion of the Schedule Program relates to computer resources. This report focuses on the information resources management products that appear under Federal Supply Code (FSC) Group 70, Schedules B and C, and Schedule A. Schedules B and C include microcomputers, software applications, and peripherals such as printers, modems, and other general-purpose ADP equipment. Schedule A covers mainframes and minicomputers. Another category—FSC Group 58, Parts IV and VA, which include telephone systems and radio communications—is also part of the IRM Schedule. Exhibit II-1 depicts the major categories covered in this report.

#### EXHIBIT II-1

Report Focus FSC Group 70	
Schedule A	Mainframes and minicomputers
Schedules B and C	Microcomputers, software, and peripherals

Because contracts are negotiated according to a particular Schedule, the products for sale must be properly categorized ahead of time so the company knows the Schedules for which it should apply. If a company sells products in more than one category, such as mainframes and microcomputers, it would need to apply for Schedule A and B/C contracts.



Agencies use the Schedules most often for small orders averaging about \$3,000. Manufacturers, or dealers known as value-added resellers (VARs), submit a listing of products to GSA, along with extensive background data in order to obtain a Schedule contract. Companies negotiate with GSA to determine the price on the Schedule, and to decide such items as deliveries and warranties. The government, through GSA, seeks to acquire goods and services at the best commercial terms available and, once awarded, the vendor agrees to give the government any new price reductions it may offer commercial clients. Exhibit II-2 provides a summary of selected Schedule characteristics.

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**EXHIBIT II-2****GSA Schedule Characteristics**

- Agency orders average about \$3,000
- Value-added resellers (VARs) dominate
- Prices, terms, and conditions are negotiated
- Government retains rights to marketplace price reductions

If awarded a Schedule contract, the company gains a listing of its submitted products on the GSA Schedule for a one-year period, but with no guarantee of business by the government. During this period, any agency can buy from the Schedule directly, without having to deal with GSA or resort to a competitive-bidding process. The major benefit of the Schedule Program is convenience, along with a discounted product price that should be competitive with the market prices offered to commercial purchasers.

**B**

---

**Requirements  
Contracts versus  
GSA Schedule**

The GSA Schedule is designed for use on relatively smaller orders. Requirements contracts, however, are a vehicle for acquiring large volumes of ADP items (on the order of hundreds or thousands of units) at even further reduced prices. Requirements contracts are usually restricted to a single model in order to gain the greatest pricing leverage. Therefore, although the Schedule Program may sometimes compete with a particular Requirements contract, it is not intended to compete. Exhibit II-3 summarizes key differences between the Schedule and Requirements vehicles.

## EXHIBIT II-3

**Contract Differences**

GSA Schedules	Requirements Contract
Flexible	Rigid
Nonmandatory	Mandatory
Low volume	High volume
Competitive discount	Bare bones price

**C****Issues**

The greatest issue affecting GSA Schedule practices involves GSA's requirement for Discount Schedule and Marketing Data (DSMD). This documentation is required of the vendor and also includes the manufacturers, even when they are not the primary sellers. The industry views the requirement as overkill and not really necessary to arrive at a competitively negotiated price. Industry feels that the DSMD is forcing on them substantial recordkeeping systems that would not otherwise be needed. GSA, meanwhile, argues that the data is essential to obtaining the best prices for the government. (Appendix A contains several pages of the DSMD questions.) Exhibit II-4 highlights several examples of the data that GSA requires.

## EXHIBIT II-4

**Discount Schedule and Market Data  
Sample Requirements**

- Total annual sales to federal government
- Largest discount granted to any nongovernment customer
- Ten top-selling models/items
- Total annual sales to nongovernment customers at catalog price
- Annual sales to nongovernment customers at other than ceiling price

GSA has authorized a MAS Improvement Project that will seek industry and government views on how to resolve problems with the Schedule process and bolster the use of the Schedule throughout the government.

## D

## Leading Schedule Vendors

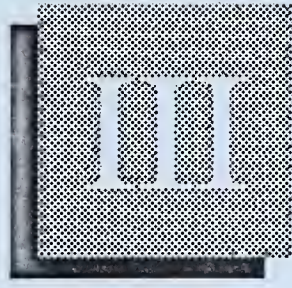
For many vendors, the GSA Schedules practice has resulted in significant federal business. Exhibit II-5 lists the leading vendors in six major categories. Although products dominate the schedules, some vendors also realize significant revenues from the services acquired.

EXHIBIT II-5

## Leading Schedule Vendors

Category/Vendor	\$ Thousands		
	FY89	FY90	Total
ADP Equipment Digital Equipment	50,712	60,148	110,860
Telecom Equipment AT&T	6,128	5,392	11,520
ADP Software IBM	14,844	14,426	29,270
Systems Development CDSI	6,732	1,447	8,179
Systems Analysis PRC	11,151	8,615	19,766
Programming Services CDSI	5,301	3,159	8,460

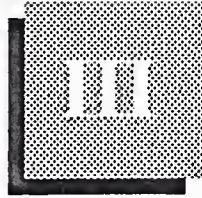




# Program Description







## Program Description

The GSA Schedule, also known as the Multiple Award Schedule (MAS) Program, in its broadest form, encompasses information resource management products and the Federal Supply Service (which covers non-computer commodities). For this report, the focus is strictly on the information resources management (IRM) items.

The government spends about \$2 billion annually on IRM products from the GSA Schedules. As shown in Exhibit III-1, the schedule program is categorized into Schedule A, Schedules B and C, and radio equipment, telephones, and facsimile machines of Group 58. Schedule A includes mainframes and minicomputers. Schedules B and C are referred to as one group under the Federal Supply Code (FSC) 70 and include microcomputers, software and peripherals. For the most part, the greatest volume of activity now occurs on the B and C Schedules. In 1989, over 650 companies applied for B and C Schedule contracts and GSA awarded approximately 460 contracts. According to some federal officials, GSA now receives upward of 1,000 offers annually for placement on the B and C Schedules. GSA awards close to 700 contracts for inclusion in the schedules. Thus, in recent years, it appears that the volume of companies seeking a GSA schedule contract increased. At the same time, some companies have also chosen to not go through the process.

EXHIBIT III-1

### GSA Schedule Categories

Group 70, Schedule A	Mainframes and minicomputers
Group 70, Schedules B and C	Microcomputers, software, and peripherals
Group 58, Part IV, Section 58	Telephones, facsimile
Group 58, VA, Section 58-VIII	Radios, communications



**A****Purpose**

The GSA Multiple Award Schedule Program was developed as a contracting vehicle to leverage the buying power of the federal government. GSA assumes the lead oversight and policy-making role for other government agencies with respect to IRM, based on regulations in the Brooks Act. The Schedule program permits GSA to negotiate greater price reductions on individual items than would typically be possible for a small user in a given agency. The user agency can short-circuit some of the lengthy procurement process by acquiring its IRM needs quicker and at a lower price (through use of) the GSA Schedule. Some estimates suggest that procurement time is reduced from over 5 months to less than 2 months. One government study estimated that it costs over \$40,000 for each open bid solicitation. The Schedule process is designed to avoid unnecessary procurement costs to the government, while affording the same buying power to any size government entity. Exhibit III-2 highlights the GSA Schedule's key benefits to the government.

**EXHIBIT III-2****GSA Schedule  
Benefits**

- Reduces prices
- Shortens acquisition time to less than 2 months
- Lowers government costs to procure
- Saves taxpayer dollars

**B****Issues****1. Requirements Contracts versus GSA Schedule**

Generally, the schedule has a maximum order limit (MOL) of \$300,000 for hardware and \$50,000 for software on any one order. Therefore, the schedule would not be conducive to a massive buy where an agency had determined that its requirements necessitated 30,000 microcomputers and peripherals and 10,000 copies of a word processing software package.

In this case, a contracting vehicle—such as a requirements contract—could become the option of choice. Requirements contracts are usually restricted to the purchase of a particular ADP item, but at a greatly reduced price per unit based on the number of units purchased. In effect, the agency determines its requirements on a broad basis and ensures standardization of systems. Requirements contracts are typically for large-volume purchases and can be used for multiple agencies. DoD

awarded several of this type of contract in recent years. Desktop II was the requirements contract for microcomputers awarded to Zenith, and Desktop III is a more recent award to Unisys.

As shown in Exhibit III-3, requirements contracts and the GSA Schedule have some similarities, but also some major differences. If an agency's requirements fit an existing requirements vehicle, it is sometimes mandatory to use that requirements contract. On the other hand, the GSA Schedule is a nonmandatory vehicle that agencies can choose to use. In both cases, the government term is *indefinite delivery-indefinite quantity (IDIQ)*. Although a given microcomputer price may be reduced by at least 15 percent on the GSA schedule, the same unit may sell for almost 70 percent below commercial prices on a requirements contract.

EXHIBIT III-3

### GSA Schedule versus Requirements Contracts

	GSA Schedule	Requirements
Order Size	Small	Large
Terms	Nonmandatory	Mandatory
Quantity	Indefinite	Indefinite
Delivery	Indefinite	Indefinite
Demand	Well-defined	Uncertain
Vendors	Multiple	Single
Responsible Agency	GSA	DoD or Civil
Hardware Discount Average	15%	70%
Vendor Financial Risk	Minimal	High

The GSA MAS Program comparison to the requirements vehicle should be kept in perspective. The schedule is not intended for large, multiuser, system integration procurements. Rather, the GSA Schedule fulfills the need for small orders averaging about \$3,000 per order. Thus, the schedules provide vendors with excellent opportunities to make many small sales. However, companies should not assume that mere presence on the GSA Schedule assures any given level of business. The government guarantees no amount of business to the vendors. Indeed, companies may need to actively market their presence on the Schedule in order to win a fair share of business.

Vendor profits in requirements contracts can be razor thin or worse. In fact, companies may compete so sharply on a requirements contract that, even when a company wins, it may not make a profit and then neither the government nor the company receives a good deal. This is the good-news/bad-news scenario that can accompany a competitive requirements contract. As one industry executive stated, you can go “patriotically bankrupt.”

## **2. Discount Schedule and Marketing Data**

The issue of pricing information required by GSA to document vendors' Schedule prices has become a major concern to industry. The documentation required by GSA, referred to as Discount Schedule and Marketing Data (DSMD), is a means for GSA to compare the GSA government price to prices offered other commercial buyers. The policy statement stipulating this required information appeared in 1982. Nevertheless, it seems that GSA has become more vigilant in recent years in enforcing the requirement.

The fact that more companies have been seeking GSA Schedule listings has exacerbated the situation. A key trend in the industry has been the evolution to more and more resellers, called VARs (value-added resellers). These companies become the marketing arms for various manufacturers on the GSA Schedule. In a number of cases the original-equipment manufacturer (OEM) may develop an exclusive arrangement with a VAR. In this instance, only that VAR would be licensed to resell the particular product on the GSA Schedule.

Nevertheless, GSA can require (and usually does) discount data from the manufacturer as well as the VAR. In essence, data are required from the subcontractor and the dealer. In addition, certified cost or pricing data, in accordance with FAR 15.804-6, may be required. From GSA's perspective, this information provides the necessary detailed backup to judge a dealer's price. However, the overwhelming industry position is that, in a competitive marketplace, the market forces drive the price so that a price offered for a given item represents the competitively determined offering. Industry and government are currently attempting to iron out differences regarding the Schedule data requirements. Exhibit III-4 summarizes the present status of this issue.



## EXHIBIT III-4

**Discount Schedule and Marketing Data**

- GSA requires discount schedule and marketing data
- Industry decries documentation
- No court challenge yet
- Industry associations meet with GSA

**3. Status**

Various industry associations, such as the Computer and Business Equipment Manufacturing Association (CBEMA) and The Association for Imaging and Information Management (AIIM), are currently gathering information and will be drafting recommendations for GSA's Multiple Award Schedule Improvement Project. This special activity was commissioned by GSA to determine how the Schedule program could be improved. The Improvement Project has a two-year time frame and is in the initial stages now. The Improvement Project will solicit industry and government views and seek to find common grounds in which to improve the process and better market the Schedule. Exhibit III-5 highlights the MAS Improvement Project.

## EXHIBIT III-5

**GSA Multiple Award Schedule Improvement Program**

- Strong support at GSA top levels
- Industry to have input
- Key agenda items
  - Discount scheduling
  - Marketing data
- Two-year effort

Clearly, GSA is improving its record for awarding contracts on a timely basis. In the past few years, a number of vendors experienced four- to five-month delays for Schedules B and C awards. However, several companies indicated that this year GSA was much more timely. Generally, the Schedule B and C awards are effective for the year ending at the

end of March. In the past, many extensions were required, lasting into August. These delays were due probably to the combination of more vendors seeking a Schedule contract and of GSA's requirement for discounting data. In the latest round, though, GSA made a concerted effort to award on time. Senior GSA officials evidently pushed this effort and it was a positive step in industry and government relations.

#### 4. FIRMR

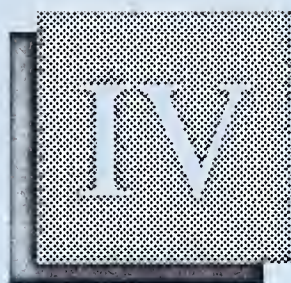
The Federal Information Resources Management Regulation (FIRMR) is the key regulatory document that governs the acquisition, management and use of federal information processing (FIP) resources and federal records. In 1990, the FIRMR was completely revised and shortened.

One section of the FIRMR, subpart 201-39.803, contains the GSA policies and procedures for agencies to use in acquiring FIP resources from the Schedule program. The rules make it clear that this is a nonmandatory program, but it should be used when the "contract would result in a lower overall cost than other contracting methods such as issuing a solicitation, using small purchase procedures" or other methods. (Appendix B contains the detailed FIRMR language.) It is interesting to note that FIRMR uses the term *federal information processing (FIP) resources* instead of *ADP* or *ADPE*. This change represents an attempt to capture *equipment* and *services* under one global term. However, the term *FIP resources* is still not common.

#### 5. Findings

The GSA Schedule program has strong backers in government and industry. Although the discount marketing data pose a significant burden to industry (in its current format), companies are aware of the substantial potential that a listing on the Schedule can be worth. Over the next year, there will be considerable activity between industry groups and GSA in an effort to improve the Schedule program and bolster its use.

However, INPUT still expects more equipment and software to be acquired, at lower prices, through indefinite-delivery, indefinite-quantity (IDIQ) contracts. As IDIQs' popularity grows and their availability increases, INPUT expects agencies to choose them more frequently over schedules contracts.

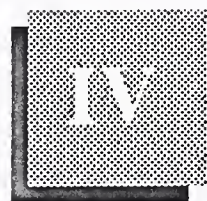


## Leading Vendors









## Leading Vendors

This section presents lists of the leading vendors for FY89 and FY90, according to various federal supply codes. Since some contract actions are entered incorrectly, these lists should not be viewed as all-conclusive. However, they do provide a good indication of the market breadth as well as the relative ranking of leading vendors.

### A

#### ADP Equipment

Exhibit IV-1 lists the ten leading federal vendors, ranked by GSA Schedule sales, for ADP equipment.

#### EXHIBIT IV-1

#### Leading Schedule ADP Equipment Vendors

Vendor	(\$ Thousands)		
	FY89	FY90	Total
Digital Equipment	50,712	60,148	110,860
Zenith	22,752	12,740	35,492
IBM	21,784	11,415	33,199
Unisys	25,800	2,961	28,761
GTSI	13,851	11,186	25,037
Hewlett-Packard	16,705	7,424	24,129
Falcon Microsystems	14,720	8,935	23,655
Federal Data	22,083	472	22,555
Sun Microsystems	12,083	9,391	21,474
Silicon Graphics	7,563	11,269	18,832

Digital's dominance of this category is somewhat surprising, since it is often assumed that microcomputers dominate equipment sales on the GSA Schedule. Digital barely participates in the federal microcomputer market, although that might change as a result of a new agreement with Tandy. Obviously, Digital has built a sizeable Schedules business.

The exhibit shows that several nonmanufacturers have succeeded in selling equipment through the GSA schedule. These include GTSI, Falcon Microsystems, and Federal Data Corporation. INPUT expects this trend to continue as more dealers and value-added resellers increase their market penetration.

GSA reported total sales in this category at \$329.3 million in FY89 and \$229.0 million in FY90. The top 30 vendors account for 81% of this total.

## B

### Telecommunications Equipment

Even though far less equipment is bought through this category than the previous one, the market is still significant. Exhibit IV-2 lists the ten leading vendors. As might be expected, AT&T captures a leading share of this category. The list offers no surprises. Overall, GSA reported total sales in this category of \$41.6 million in FY89 and \$25.4 million in FY90.

EXHIBIT IV-2

#### Leading Schedule Telecommunications Equipment Vendors

Vendor	(\$ Thousands)		
	FY89	FY90	Total
AT&T	6,128	5,392	11,520
Motorola	4,634	2,752	7,386
Racal Communications	5,842	996	6,838
GTE Corporation	5,675	-261	5,414
ITT/Alcatel	3,213	168	3,381
SW Bell	981	1,739	2,720
Rockwell International	1,135	1,408	2,543
Mitel	876	502	1,378
Harris	249	984	1,233
U.S. West	908	202	1,110



**C****ADP Software**

Schedule sales for ADP software are also significant, totalling \$51.8 million in FY89 and \$50.8 million in FY90. However, as Exhibit IV-3 shows, this market is highly concentrated. In fact, the top five vendors accounted for more than one-half of this market in each fiscal year.

**EXHIBIT IV-3**

**Leading Schedule  
ADP Software Vendors**

Vendor	(\$ Thousands)		
	FY89	FY90	Total
IBM	14,844	14,426	29,270
Digital	6,741	4,219	10,960
GTSI	4,085	4,724	8,809
Oracle	3,050	3,877	6,927
Computer Associates	1,811	1,619	3,430
Hewlett-Packard	770	1,165	1,935
Falcon	838	917	1,755
Honeywell	790	642	1,432
Wang	921	277	1,198
Xerox	402	689	1,091

**D****Services**

Agencies are also able to buy various IRM-related services through GSA Schedules. Although sales volume is considerably less than for products, services still account for sizeable business for some companies. Exhibits IV-4 through IV-6 list the top five vendors in three service categories.

Exhibit IV-4 shows nearly total dominance by CDSI in the ADP Systems Development category. This dominance likely reflects work CDSI does in support of its standard financial software packages. The total market for ADP Systems Development reached \$11.3 million in FY89 and \$3.0 million in FY90.

EXHIBIT IV-4

### Leading Schedule ADP Systems Development Vendors

Vendor	(\$ Thousands)		
	FY89	FY90	Total
CDSI	6,732	1,447	8,179
Atlantic Research	1,981	-	1,981
IBM	595	222	817
Michelson Realty	130	555	685
DP Associates	558	-	558

Exhibit IV-5 shows the top five vendors for ADP systems analysis. PRC—including its former subsidiary, Advanced Technology, Inc.—captured nearly \$20 million in revenues over the two fiscal years. PRC's share represents nearly two-thirds of the total market, which reached \$16.9 million in FY89 and \$15.4 million in FY90.

EXHIBIT IV-5

### Leading Schedule ADP Systems Analysis Vendors

Vendor	(\$ Thousands)		
	FY89	FY90	Total
PRC	11,151	8,615	19,766
AMS	3,191	1,607	4,798
Applied Technology Associates	-	3,217	3,217
Honeywell	631	538	1,169
Digital	488	324	812

Finally, Exhibit IV-6 presents the leading vendors for programming services. As was the case with systems development, CDSI totally dominates this market. Total sales reached \$5.5 million in FY89 and \$3.5 million in FY90. Practically all came from CDSI, again most likely through its financial software activities.

## EXHIBIT IV-6

### Leading Schedule Programming Services Vendors

Vendor	(\$ Thousands)		
	FY89	FY90	Total
CDSI	5,301	3,159	8,460
Computer Associates	-	198	198
Hewlett-Packard	158	-	158
IBM	-	64	64
Cullinet	-	50	50

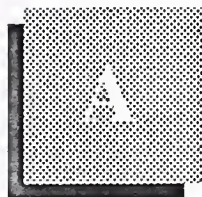


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# Appendixes







## Appendix: Discount Schedule and Market Data

K.32 Discount Schedule and Market Data (PART A—General Information) (GSA Policy Statement on MAS) (Oct. 1982) (Variation - IRMS (KES)) OMB 3090-023S

### POLICY STATEMENT AND INSTRUCTIONS TO OFFERORS

a. In order to receive consideration for award, offerors are required to furnish, in the blank spaces provided below, the current marketing information and discount data requested, as of the date of submission of the offer. “Not Applicable” or “N/A” replies will not be sufficient: Offerors must be specific. Examples: (A) If offeror does not offer or provide discounts to states, cities, counties, and other local governments, the replies on this line should be “None” or “Zero”; B) If sales are not made to a category of customers, the replies should be either the same as in (A), or the maximum percentage of discount that would be allowed on such sales should be inserted. Offeror shall be responsible for keeping required data on a current basis up to date of award. The discount and sales information must be completed for each special item number for which an offer is submitted.

### b. INSTRUCTIONS TO OFFERORS

GENERAL INFORMATION Clause applies to each GSA Special Item Number (SIN) for which an offer is submitted. (If all information is the same, SINs may be combined.)

SEPARATE DISCOUNT AND SALES INFORMATION Clause must be completed for Special Item Numbers for which an offer is submitted. (If discount information is the same for all products under each SIN, SINs may be combined. However, separate sales information required under Discount and Sales Information Clause Paragraph, (V) (b) and (c) must be provided for Purchase and Maintenance (Hardware and Software). The contractor shall duplicate the required number of Discount Schedule and Marketing Data Sheets as needed and attach them to the ones provided herein.

Information required by each space must be furnished. Information furnished in Separate Discount and Sales Information Clause relating to discounts, allowances and sales information will be treated as “CONFIDENTIAL” by the Government except for final prices and those discounts shown in the authorized ADP Schedule Price list and awarded by the Government. Failure to provide current, accurate and complete information under the Discount Sales and Marketing Data may subject the offeror to liability for refunds.

## GENERAL INFORMATION

(Applicable to all special item numbers)

## I. OFFEROR'S MARKETING CATEGORY (check applicable item)

- (a) \_\_\_\_\_ Manufacturer selling direct - has no dealers.  
(b) \_\_\_\_\_ Manufacturer selling direct to the Government even though he has dealers.  
(c) \_\_\_\_\_ Manufacturer selling to the Government through dealers.  
(d) \_\_\_\_\_ Dealer selling direct to the Government. (Dealer must submit manufacturer's price list.)  
(e) \_\_\_\_\_ Other (specify) \_\_\_\_\_

## II. IDENTIFICATION OF A PRICE LIST AS THE BASIS FOR THIS OFFER (check below and attach one copy of the price list)

- (a) \_\_\_\_\_ Manufacturer's catalog/price list (indicate type) \_\_\_\_\_  
(b) \_\_\_\_\_ Dealer's catalog/price list  
(c) \_\_\_\_\_ Retailer's catalog/price list  
(d) \_\_\_\_\_ Other (specify) \_\_\_\_\_

## III. WARRANTY:

(a) Submit your standard commercial warranty and specify below where it may be found in your commercial catalog or price list included with this offer: \_\_\_\_\_

(b) The warranty offered GSA is:

more favorable ☐ less favorable ☐ or equal to ☐ the commercial warranty (check one). Describe and provide the value expressed as a percentage of the catalog prices if more favorable or less favorable \_\_\_\_\_ %.

## PART B DISCOUNT AND SALES INFORMATION

Name of Offeror

GSA Special Item Number

I. IDENTIFICATION OF ITEMS OFFERED. How many Models/types of catalog items do you offer under this GSA Special Item Number? \_\_\_\_\_ (enter number)

II. DISCOUNTS. The following concessions are offered to the Government for delivery FOB Destination.

(a) Discount offered on the above GSA Special Item Number is \_\_\_\_\_ % from price list dated \_\_\_\_\_, PLUS prompt payment discount, as stated on the first page of this solicitation (additional details may be entered below or attached). If discounts vary, show discounts on price list.

(b) Aggregate or end of contract additional discounts. An additional discount of \_\_\_\_\_ percent is offered to the Government which will be applied to the actual aggregate sales in excess of the following base figure under this contract:

(1) For current MAS contractors, aggregate sales (annualized) to the Government for most recent 12 month period under similar contract(s) is \$ \_\_\_\_\_, based on sales during the period \_\_\_\_\_ to \_\_\_\_\_.

(2) For other offerors, projected aggregate sales under this contract is \_\_\_\_\_.

(c) Quantity Discounts. List below any quantity discounts included in this offer.

Yes ☐ No ☐ (l) Can models/products be combined within Special Item Number? If yes, provide details:

Yes ☐ No ☐ (l) Can Special Item Numbers be combined? If yes, provide details:

(d). Other beneficial terms, discounts, or concessions included in this offer such as prompt renewal discounts, purchase option credits, etc. (List below and provide detailed explanations.)



III. (a) List below the best discount and/or concessions resulting in the lowest net price (regardless of quantity and terms and conditions) to other than authorized GSA contract users from the price list for the same or similar products or services offered to the Government under this solicitation. (Show actual percentage and delivery terms). In addition, state the percentage of your gross sales made to each customer category listed below.

	Reg. Disc. %	Quant. Disc. %	Aggregate Discounts	Comm. to other than employees %	Prompt Payment	FOB Point	% of Gross Sales
1. to dealers/ retailers	_____	_____	_____	_____	_____	_____	_____
2. to distributors/ wholesalers	_____	_____	_____	_____	_____	_____	_____
3. to educational institutions	_____	_____	_____	_____	_____	_____	_____
4. to state, county, city, and local governments	_____	_____	_____	_____	_____	_____	_____
5. to original equipment manufacturers (OEM)	_____	_____	_____	_____	_____	_____	_____
6. to others (specify); e.g., nat'l accts., sales agreements, end users commercial customers generally etc.	_____	_____	_____	_____	_____	_____	_____
7. If a dealer, indicate discount from mfg's price list	_____	_____	_____	_____	_____	_____	_____

III. (b) Do you have in effect, for any customer of any class within the MOL or outside of the MOL, other discounts and/or concessions including but not limited to the following, regardless of price list, which result in lower net prices than those offered the Government in this offer?

Yes ☐ No ☐ rebates of any kind, including year-end or end of contract discounts

Yes ☐ No ☐ multiple quantity unit pricing plan

Yes ☐ No ☐ cumulative discounts of any type which cover items being offered

Yes ☐ No ☐ products (models)/services that may be combined for maximum discounts

Yes ☐ No ☐ others (specify).

If answer to any of the above is "Yes", provide detailed explanation including the value expressed as a percentage of the list price.

IV. (a) Are any of the models/products offered herein sold by the offeror under a different trade name(s)?

Yes ☐ No ☐ If "Yes", explain and provide applicable price lists.

(b) To your knowledge, are there identical products offered herein contained in any other GSA Schedule Contract?

Yes ☐ No ☐ If "Yes", identify the product, schedule and contract.

#### V. OTHER DATA

(a) \_\_\_\_\_ Do you maintain stock on hand of the items offered?

(b) \_\_\_\_\_ Do you display the Special Item Number(s) offered in a showroom?

(c) \_\_\_\_\_ Do you provide any design and layout assistance related to this Special Item Number free of charge?

(d) \_\_\_\_\_ If you are a dealer, will you arrange to have other dealers participate in the schedule contract should you receive a contract?

(e) \_\_\_\_\_ Will you administer all incoming orders, including requests for expediting and follow-up?

VI (a) This section requires (1) that sales information be provided to enable the contracting officer to determine that the items meet the test of commerciality in FAR 15.804-3 and ASPM, Chapter 9; and (2) that pricing data is furnished in sufficient detail to enable the contracting officer to perform a price analysis in accordance with FAR 15.804-3(h).

(b) The offeror certifies that, except for the individual models/types or catalog numbers cited in paragraph (c) below, all other models/types or catalog numbers offered in response to this solicitation meet the tests of commerciality in FAR 15.804-3 and ASPM, Chapter 9. Of the individual models/types or catalog numbers so certified, sales information shall be provided in the table below for each of the 10 models/types or catalog numbers with the largest dollar sales volume. The sales information provided is for the prior 12 months, from \_\_\_\_\_ to \_\_\_\_\_ for this special item number.

#### PART B - Discount and Sales Information

1	2	3	4	5	6	7	8
Model/ type or catalog no.	Total annual sales to Fed. Govt.  _____ % of S column 5	Total annual sales to non- govern- ment customers at catalog price (less published discounts)	Total annual sales to non- govern- ment customers at other than cata- log price <u>log price</u> % of column 3 & 4 if more than \$ <u>25%</u>	Total annual sales: Columns 2,3, and 4	Provide informa- tion below for largest discount granted to any non- government customer  _____ Dis- Qty count	List the largest discount at which the item was sold for comparable sales/quant- ities shown in column 2 to any non- government customer during the <u>past year.</u>  Dis- Qty count	Is the discount in block number 6 greater than your current offer under this solicitation? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, provide complete docu- mentation and rationale of the difference. Merely submitting copies of documents such as terms and condi- tions of commercial contracts, commer- cial warranties, etc., will not be adequate to justify the difference.

**FOR CURRENT SCHEDULE CONTRACTORS:** Provide the top 10 selling models/items that you have sold under your current schedule and are offering herein.

**FOR ALL OTHER OFFERORS:** Provide the top 10 selling models/items that you have sold to the Government and are offering herein. If no sales to the Government, provide your top 10 selling items commercially that you are offering herein.



(c) Sales information in the table below shall be provided for each individual model/type or catalog number in the above special item number that is not certified commercial when experienced annual government sales are \$100,000 or more.

#### PART B - Discount and Sales Information

1	2	3	4	5	6	7	8
Model/ type or catalog no.	Total annual sales to Fed. Govt.  _____ % of \$ column 5	Total annual sales to non- govern- ment customers at catalog price (less published discounts)	Total annual sales to non- govern- ment customers at other than cata- log price _____ % of column 3 & 4 if more than \$ 25%	Total annual sales: Columns 2,3, and 4	Provide informa- tion below for largest discount granted to any non- government customer  _____ Dis- Qty count	List the largest discount at which the item was sold for comparable sales/quant- ities shown in column 2 to any non- government customer during the past year. _____ Dis- Qty count	Is the discount in block number 6 greater than your current offer under this solicitation? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, provide complete docu- mentation and rationale of the difference. Merely submitting copies of documents such as terms and condi- tions of commercial contracts, commer- cial warranties, etc., will not be adequate to justify the difference.

NOTE: 1. Federal Government sales include all sales to U.S. Government and its instrumentalities and for U.S. Government use, sales directly to U.S. Government prime contractors and to their sub-contractors or suppliers at any tier, for use as an end item or as part of an end item, by the U.S. Government.

2. Nongovernment customer is defined as other than Government or affiliates (include sales to distributors, dealers, OEM, national accounts, educational institutions, state, etc.).

3. Discounts are reductions to catalog or market prices (published or unpublished) applicable to any customer, including OEM's, dealers, distributors, national accounts, states etc.; and any other form of price reduction such as concessions, rebates, quantity discounts, allowances, services, warranties, installation, free parts, etc., which are granted to any customer.

4. *No price increases will be accepted that are effective commercially after the date of award of the contract, or 4-1-90, whichever occurs first.*

**PART C—ADDITIONAL INFORMATION APPLICABLE TO ALL SPECIAL ITEM NUMBERS -  
COMMERCIAL DATA**

(1) IF THE OFFEROR IS A MANUFACTURER, supply two (2) copies of your latest commercial price lists in effect at the time of offer, commercial brochures and contract forms, and commercial terms and conditions. These include, but are not limited to End User, OEM, Dealer or Distributor Agreements, and all discount and pricing policies. Offeror shall be responsible for keeping these documents current up to the date of award. After the date of award, the Price Reductions Clause, Paragraph No. 2, Pricing and Discount Information applies. If documentation is not furnished, reason must be stated. Also indicate:

(a) Date(s) of latest commercial catalog(s) and price list(s) furnished herewith:

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(b) Date(s) of latest commercial contract form(s) and brochure(s) furnished herewith:

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(c) Date(s) of latest commercial terms and conditions furnished herewith:

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(d) If commercial prices have increased since your current contract offer, state percentage of such increase (over-all and by principal types if applicable) and explain reason for all increases.

*NOTE: No price increases will be accepted that are effective commercially after the date of award, the contract, or 4-1-90, whichever occurs first.*

( 2 ) IF THE OFFEROR IS OTHER THAN THE MANUFACTURER supply two ( 2 ) copies of your latest commercial price list as well as two (2) copies of each manufacturer's latest commercial price lists, in effect at the time of offer. These are to include, but not limited to, End-User, OEM, Dealer and Distributor Agreements, commercial brochures, contract forms, commercial terms and conditions, and all discounts and pricing policies applicable to both you and each of the manufacturers. Offeror is responsible for keeping these documents current up to the date of award. After the date of award, the Price Reduction Clause, Paragraph No. 2, Pricing & Discount Information, applies. If the documentation is not furnished, specific reasons must be stated herein. Provide the following:

(a) Dates(s) of latest commercial catalog(s) and price list(s) furnished herewith. Identify date(s) of offeror's and manufacturer(s) price lists.

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(b) Date(s) of latest commercial contract forms and brochures furnished herewith:

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(c) Date(s) of the latest commercial terms and conditions furnished herewith:

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NOTE: *No price increases will be accepted that are effective commercially after the date of award of the contract, or 4-1-90, whichever occurs first.*

### K.33 ESTIMATED ADP SCHEDULE VOLUME OF BUSINESS

(For items and services included in this offer.) On the chart below, state the approximate volume of business for all Special Item Numbers which are included in this offer and in your current ADP Schedule contracts; then, state what percentage each dollar amount is relative to your total sales to all customers. (e.g., if you estimate that you will sell \$20,000 worth of equipment under the schedule contract and your total sales (Commercial and Government) for those items during the same 12 months is projected to be \$2,000,000, then 1% would be the percentage of total to be filled in.)

Contract Period 4/1/90 - 3/31/91 Estimated (Applicable only if offeror has a current ADP Schedule contract)

<u>SPECIAL ITEM NO</u>	<u>EQUIPMENT</u>	<u>SCHEDULE AMOUNT</u>	<u>% OF TOTAL</u>
132-8/10	Purchases	\$ _____	_____ %
132-12/14	Maintenance	\$ _____	_____ %
132-15	Repair Service	\$ _____	_____ %
132-16	Repair Parts	\$ _____	_____ %
132-31	Purchase		
132-31	Software	\$ _____	_____ %
132-32	Maintenance		
132-32	Software	\$ _____	_____ %
	TOTAL	\$ _____	_____ %



Contract Period 4/1/91 - 3/31/92

SPECIAL

<u>ITEM NO</u>	<u>EQUIPMENT</u>	<u>SCHEDULE AMOUNT</u>	<u>% OF TOTAL</u>
132-8/10	Purchases	\$ _____	_____ %
132-12/14	Maintenance	\$ _____	_____ %
132-15	Repair Service	\$ _____	_____ %
132-16	Repair Parts	\$ _____	_____ %
132-31	Purchase Software	\$ _____	_____ %
132-32	Maintenance Software	\$ _____	_____ %
	TOTAL	\$ _____	_____ %

#### K.34 CONTRACTOR'S BILLING RESPONSIBILITIES

The contractor is required to perform all billings made pursuant to this contract. However, if the contractor has dealers which participate on the contract, and the billing/payment process used by the contractor for sales made by the dealer is a significant administrative burden, the following alternative procedures may be used:

Where dealers are allowed by the contractor to bill Government ordering agencies and accept payment in the contractor's name, the contractor agrees to obtain from all dealers participating in the performance of the contract a written agreement which will require dealers to:

- (1) Comply with the same terms and conditions regarding prices as the contractor, for sales made under the contract;
- (2) Maintain a system of reporting sales under the contract to the manufacturer which includes;
  - a. The date of sale,
  - b. The agency to which the sale was made,
  - c. The product/model sold,
  - d. The quantity of each product/model sold,
  - e. The price at which it was sold, including discounts, and
  - f. All other significant sales data;
- (3) Be subject to audit by the Government, with respect to sales made under the contract; and

(4) Place orders and accept payment in the name of the contractor, in care of the dealer. An agreement between a contractor and its dealers pursuant to this procedure will not establish privity of contract between dealers and the Government. Price reductions made by a participating dealer on sales to the Government under the contract will result in an overall price reduction being assessed against the contractor as provided for in the Price Reduction Clause.

The offeror hereby certifies that all dealers participating in the performance of this contract have agreed that their performance will be in accordance with all terms, conditions, and prices of this contract.

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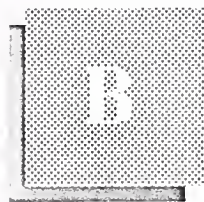
SIGNATURE

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DATE







## Appendix: Acquisition of Federal Information Processing Resources by Contracting

### PART 201-39—Acquisition of Federal Information Processing (FIP) Resources by Contracting

#### § 201-39.803 GSA nonmandatory schedule contract for FIP resources.

##### § 201-39.803-1 General.

(a) GSA nonmandatory schedule contracts for FIP resources, managed by GSA's Information Resources Management Service, provide Federal agencies with a simplified process for obtaining these resources. GSA awards such contracts to many different vendors and each contract establishes terms, conditions, and prices for stated periods of time. These contracts are not part of the Federal Supply Service (FSS) Schedule program covered in FAR subpart 8.4 and they are not mandatory sources of supply.

(b) Agencies should use GSA nonmandatory schedule contracts for FIP resources when the contracting officer determines that placing an order under a GSA nonmandatory schedule contract would result in a lower overall cost than other contracting methods, such as issuing a solicitation, using small purchase procedures, using a nonmandatory agency contract, or using other nonmandatory GSA programs.

##### § 201-39.803-2 Policy.

Use of GSA nonmandatory schedule contracts is a competitive procedure when—

(a) It results in the lowest overall cost alternative to meet the needs of the Government; and

(b) The procedures of this section are followed.

### § 201-39.803-3 Procedures

(a) Prior to selecting a GSA nonmandatory schedule contract and placing an order or, if applicable, publishing a synopsis of intent to place an order, the agency shall—

(1) Justify any restrictive requirement (e.g., an “all or none” requirement or a requirement for “only new” equipment); and

(2) Consider the offerings of a reasonable number of nonmandatory schedule contractors.

(b) The contracting officer shall consider all responses received as a result of the CBD notice and then determine whether to order from a GSA nonmandatory schedule contract or issue a solicitation. Accordingly, the contracting officer shall take one of the following actions:

(1) When no responses are received, document the contract file with the results of the CBD synopsis and an analysis indicating that an order placed against the synopsisized nonmandatory schedule contract provides the lowest overall cost alternative to meet the Government’s needs.

(2) When a response to the CBD notice is received from either a responsible vendor that does not have a GSA nonmandatory schedule contract or a GSA nonmandatory schedule contractor (expressing an interest either on or off schedule) for items that may meet the requirement, the contracting officer shall take one of the following actions:

(i) Document the contract file with an analysis indicating that the respondent’s items would not meet the requirement or that the synopsisized GSA nonmandatory schedule contract items provides the lowest overall cost alternative to meet the Government’s needs and place an order against the synopsisized GSA contract;

(ii) Document the contract file with an analysis indicating that a responding contractor’s GSA nonmandatory schedule contract offering provides the lowest overall cost alternative to meet the Government’s needs and place an order against that GSA nonmandatory schedule contract; or

(iii) Document the contract file with an analysis indicating that ordering from a GSA nonmandatory schedule contract may not result in the lowest overall cost alternative to meet the Government’s needs. In this case, the contracting officer may elect to issue a solicitation. In such cases, the contracting officer shall take the following actions:

(A) Ensure that the solicitation contains terms and conditions substantially the same as those of the GSA solicitation for nonmandatory schedule contracts that resulted in the synopsised schedule contract; and

(B) Provide the solicitation to those potential offerors responding to the CBD synopsis of intent; the vendors whose GSA nonmandatory schedule contract was the subject of the synopsis; and any other potential offerors that specifically express an interest

FEDERAL INFORMATION RESOURCES MANAGEMENT  
REGULATION (AMENDMENT 1, OCTOBER 1990) 39-8



# About INPUT

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